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As filed with the Securities and Exchange Commission on April 16, 2003

Registration No. 333-104314

Securities and Exchange Commission

Washington, D.C. 20549

Amendment No. 1
to
FORM S-3

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

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 Number)

17655 Waterview Parkway
Dallas, Texas 75252
Telephone: (972) 348-5100
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

J. MICHAEL PARKS
Chairman of the Board, Chief Executive Officer and President
17655 Waterview Parkway
Dallas, Texas 75252
Telephone: (972) 348-5100
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

With a copy to:

MICHAEL E. DILLARD, P.C. **ALEX FRUTOS** **Akin, Gump, Strauss, Hauer & Feld, L.L.P.** **1700 Pacific Avenue, Suite 4100** **Dallas, Texas 75201** **Telephone: (214) 969-2800** **Facsimile: (214) 969-4343**	**WILLIAM M. RUSTUM** **Gibson, Dunn & Crutcher LLP** **200 Park Avenue** **New York, New York 10166** **Telephone: (212) 351-4000** **Facsimile: (212) 351-4035**

Approximate date of commencement of proposed sale to the public:
As soon as practicable on or after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: / /

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: / /

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, please check the following box: / /

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the

Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED APRIL 15, 2003

The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholder may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS

9,000,000 Shares

Common Stock

We are selling 2,000,000 shares of our common stock and Limited Commerce Corp. is selling 7,000,000 shares of our common stock. We will not receive any of the proceeds from the shares of common stock sold by Limited Commerce Corp.

Our common stock is listed on the New York Stock Exchange under the symbol "ADS." The last reported sale price of our common stock on the New York Stock Exchange on April 14, 2003 was $17.39 per share.

See "Risk Factors" beginning on page 7 to read about risks you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to Limited Commerce Corp.	$	$

The underwriters may purchase up to an additional 1,350,000 shares of our common stock from us at the public offering price less the underwriting discounts, solely to cover over-allotments.

Delivery of the shares of common stock is expected to be made in New York, New York on or about , 2003.

Joint Book-Running Managers

Bear, Stearns & Co. Inc. **Credit Suisse First Boston** **JPMo**

Adams, Harkness & Hill, Inc.

CIBC World Markets

Lehman Brot

The date of this prospectus is , 2003.

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PROSPECTUS SUMMARY

This summary contains basic information about us and the offering. Because it is a summary, it does not contain all the information that you should consider before investing. You should read the entire prospectus carefully, including the risk factors, and our financial statements and the related notes to those statements and the documents and information incorporated by reference in this prospectus.

Our Company

We are a leading provider of transaction services, credit services and marketing services in North America. We focus on facilitating and managing electronic transactions between our clients and their customers through multiple distribution channels including in-store, catalog and the Internet. Our credit and marketing services assist our clients in identifying and acquiring new customers, as well as helping to increase the loyalty and profitability of their existing customers. We have a client base in excess of 300 companies, consisting mostly of specialty retailers, petroleum retailers, utilities, supermarkets and financial services companies. We generally have long-term relationships with our clients, with contracts typically ranging from three to five years in duration.

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

Our Products and Services

Our products and services are centered around three core capabilities — Transaction Services, Credit Services and Marketing Services. We have traditionally marketed and sold our products and services on a stand-alone basis but increasingly market and sell them on a bundled and integrated basis. Our products and services and target markets are listed below.

Segment	Products and Services	Target Markets
Transaction Services	• Issuer Services – Card Processing – Billing and Payment Processing – Customer Care • Utility Services – Customer Information System Hosting – Customer Care – Billing and Payment Processing • Merchant Services – Point-of-Sale Services – Merchant Bankcard Services	• Specialty Retail • Utility • Petroleum Retail
Credit Services	• Private Label Receivables Financing – Underwriting and Risk – Merchant Processing – Receivables Funding	• Specialty Retail • Petroleum Retail Management
Marketing Services	• Loyalty Programs – AIR MILES® Reward Program – One-to-One Loyalty • Marketing Services	• Financial Services • Supermarkets • Petroleum Retail • Specialty Retail • Utility

Our Market Opportunity and Growth Strategy

Our services are applicable to the full spectrum of commerce opportunities involving companies that sell products and services to individual consumers. We are well positioned to benefit from trends favoring outsourcing and electronic transactions. Many companies, including retailers, petroleum companies and utilities, lack the economies of scale and core competencies necessary to support their own transaction processing infrastructure and credit card and database operations. Companies are also increasingly outsourcing the development and management of their marketing programs. Additionally, the use of card-based forms of payment by consumers in the United States has steadily increased over the past ten years. According to The Nilson Report, consumer expenditures in the United States using card-based systems are expected to grow from 32% of all payments in 2001 to 46% in 2010.

Our growth strategy is to pursue initiatives to capitalize on our market position and core competencies. Key elements of our strategy are:

- expanding relationships with our base of over 300 clients by offering them integrated transaction processing and marketing services;
- expanding our client base in existing market sectors;
- continuing to establish long-term relationships with our clients that result in a stable and recurring revenue base; and
- pursuing focused, strategic acquisitions and alliances to enhance our core capabilities, increase our scale or expand our range of services.

Recent Developments

On April 15, 2003, we announced our first quarter 2003 results. Total first quarter revenue increased 14.2% to $240.2 million compared to $210.3 million for the first quarter of 2002. Net income increased 173.3% to $12.3 million for the first quarter of 2003, or $0.16 per share, compared to $4.5 million, or $0.06 per share, for the first quarter of 2002. Operating income for the first quarter of 2003 increased 71.8% to $25.6 million compared to $14.8 million for the first quarter of 2002, and EBITDA for the first quarter of 2003 increased 38.4% to $42.9 million compared to $30.9 million for the first quarter of 2002. We recognized $2.7 million in stock compensation expense primarily related to the vesting of performance based restricted stock in the first quarter of 2003 and recognized $2.9 million in stock compensation expense in the first quarter of 2002. Transaction Services revenue increased 8.2% in the first quarter of 2003 to $143.1 million. Marketing Services revenue increased 9.3% in the first quarter of 2003 to $59.7 million. Credit Services revenue increased 33.0% in the first quarter of 2003 to $109.2 million. See "Use of Non-GAAP Financial Measures" set forth herein for a discussion of our use of EBITDA and Operating EBITDA and a reconciliation to operating income, the most directly comparable GAAP financial measure.

The Offering

Common stock offered by us	2,000,000 shares
Common stock offered by Limited Commerce Corp.	7,000,000 shares
Common stock to be outstanding after the offering	77,144,934 shares
Use of proceeds	We intend to use the net proceeds from the offering, together with other available funds, to repay approximately $52.0 million of outstanding debt, plus accrued interest, owed to our largest stockholder.
	We will not receive any of the proceeds from the sale of shares by the selling stockholder.
New York Stock Exchange symbol	"ADS"

Unless otherwise indicated, information contained in this prospectus regarding the number of shares of common stock to be outstanding upon completion of this offering does not include up to 1,350,000 additional shares that we may issue if the underwriters exercise their over-allotment option.

Selling Stockholder

Limited Commerce Corp., which is offering to sell 7,000,000 shares under this prospectus, is our second largest stockholder and a wholly owned subsidiary of Limited Brands, Inc. Limited Brands, together with its retail affiliates, is our largest client representing approximately 18.8% of our 2002 consolidated revenue. Prior to this offering, Limited Commerce Corp. beneficially owned approximately 19.5% of our common stock. Upon the completion of this offering, assuming all the shares Limited Commerce Corp. is offering are sold, it will beneficially own 9.9% of our common stock, or 9.8% if the underwriters exercise their over-allotment option in full. After the offering, Limited Commerce Corp. will continue to have the right to designate up to two nominees for election to our board of directors as long as it continues to own at least 9% of our common stock. Mr. Soll and Mr. Finkelman are the current designees of Limited Commerce Corp., whose terms expire in 2004 and 2005, respectively.

Summary Consolidated Financial Data

The following table provides our summary consolidated financial data for the periods ended and as of the dates indicated. You should read the summary consolidated financial data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus and with our consolidated annual financial statements and related notes incorporated by reference in this prospectus.

	For the year ended December 31,		
	2000	2001	2002
	(amounts in thousands, except per share data)		
Income statement data			
Total revenue	$ 678,195	$ 777,351	$ 871,451
Cost of operations	547,985	603,493	668,231
General and administrative	32,201	45,431	56,097
Depreciation and other amortization	26,265	30,698	41,768
Amortization of purchased intangibles	49,879	43,506	24,707
Total operating expenses	656,330	723,128	790,803

Operating income	21,865	54,223	80,648
Other expenses	2,477	5,000	—
Fair value loss on interest rate derivative	—	15,131	12,017
Interest expense	38,870	30,097	21,215
Income (loss) from continuing operations before income taxes, discontinued operations and extraordinary item	(19,482)	3,995	47,416
Income tax expense	1,841	11,612	20,671
Income (loss) from continuing operations before discontinued operations and extraordinary item	(21,323)	(7,617)	26,745
Extraordinary item, net	—	(615)	(542)
Net income (loss)	$ (21,323)	$ (8,232)	$ 26,203
Income (loss) per share from continuing operations — basic (before extraordinary item)	$ (0.60)	$ (0.17)	$ 0.36
Income (loss) per share from continuing operations — diluted (before extraordinary item)	$ (0.60)	$ (0.17)	$ 0.35
Net income (loss) per share — basic	$ (0.60)	$ (0.18)	$ 0.35
Net income (loss) per share — diluted	$ (0.60)	$ (0.18)	$ 0.34
Weighted average shares used in computing per share amounts — basic	47,538	64,555	74,422
Weighted average shares used in computing per share amounts — diluted	47,538	64,555	76,696
EBITDA and Operating EBITDA(1)			
EBITDA	$ 98,009	$ 128,427	$ 147,123
Operating EBITDA	$ 120,497	$ 169,467	$ 161,675
Other financial data			
Cash flows from operating activities before change in merchant settlement activity	$ 70,035	$ 113,015	$ 197,149
Merchant settlement activity	17,148	55,240	(69,387)
Cash flows from operating activities	$ 87,183	$ 168,255	$ 127,762
Cash flows from investing activities	$ (24,457)	$ (190,982)	$ (192,603)
Cash flows from financing activities	$ 1,144	$ 32,497	$ (15,999)

	For the year ended December 31,		
	2000	2001	2002
	(amounts in thousands)		
Segment operating data			
Statements generated	127,217	131,253	138,669
Transactions processed/core transactions processed in 2002(2)	2,519,535	2,754,105	1,660,374
Credit sales	$ 3,685,069	$ 4,050,554	$ 4,924,952
Average securitized portfolio	$ 2,073,574	$ 2,197,935	$ 2,408,444
AIR MILES reward miles issued	1,927,016	2,153,550	2,348,133
AIR MILES reward miles redeemed	781,823	984,926	1,259,951

	As of December 31,			
			2002	
	2000	2001	Actual	Pro forma as adjusted(3)
	(amounts in thousands)			
Balance sheet data				
Cash and cash equivalents	$ 116,941	$ 117,535	$ 30,439	$ 30,439
Seller's interest and credit card receivables, net	137,865	128,793	147,899	147,899
Redemption settlement assets, restricted	152,007	150,330	166,293	166,293
Intangibles, net	72,953	76,886	76,774	76,774
Goodwill, net	371,596	415,111	438,608	438,608
Total assets	1,421,179	1,477,218	1,453,418	1,451,318
Deferred revenue — service and redemption	290,186	329,549	360,064	360,064
Certificates of deposit and other receivables funding debt	139,400	120,800	96,200	96,200
Credit facilities, subordinated debt and other	296,660	189,625	196,711	164,170
Total liabilities	1,058,788	971,490	910,680	878,139
Series A preferred stock	119,400	—	—	—
Total stockholders' equity	242,991	505,728	542,738	573,179

(1)

See "Use of Non-GAAP Financial Measures" set forth herein for a discussion of our use of EBITDA and Operating EBITDA and a reconciliation to operating income, the most directly comparable GAAP financial measure.

(2) Core transactions processed in 2002 reflect our continued pruning of non-core low margin accounts in 2002, and accordingly only include transactions processed for continuing customers. If we were to eliminate transactions processed for those same accounts in 2001, core transactions processed in 2001 would have been 1,479,654.

(3) As adjusted to give effect to this offering and the use of the estimated net proceeds therefrom.

Use of Non-GAAP Financial Measures

EBITDA is a non-GAAP financial measure equal to operating income, the most directly comparable GAAP financial measure, plus depreciation and amortization. Operating EBITDA is a non-GAAP financial measure equal to EBITDA plus the change in deferred revenue less the (increase) decrease in redemption settlement assets. We have presented EBITDA and operating EBITDA because we use them to monitor compliance with the financial covenants in our credit agreements, such as debt-to-operating EBITDA and operating EBITDA to interest expense ratios. We also use EBITDA and operating EBITDA 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. Therefore, we believe that EBITDA and operating EBITDA provide useful information to our investors regarding our performance and overall results of operations. EBITDA and operating EBITDA are not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance or to the statement of cash flows as a measure of liquidity. In addition, EBITDA and operating EBITDA 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 generally accepted accounting principles. The EBITDA and operating EBITDA measures presented in this prospectus 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. The following sets forth a reconciliation of operating income to EBITDA and operating EBITDA:

	For the year ended December 31,			For the three months ended March 31,	
	2000	2001	2002	2002	2003
	(amounts in thousands)				
Operating income	$ 21,865	$ 54,223	$ 80,648	$ 14,812	$ 25,627
Plus depreciation and other amortization	26,265	30,698	41,768	9,271	12,924
Plus amortization of purchased intangibles	49,879	43,506	24,707	6,837	4,355
EBITDA	98,009	128,427	147,123	30,920	42,906
Plus change in deferred revenue	40,845	39,363	30,515	5,278	19,347
Less (increase) decrease in redemption settlement assets	(18,357)	1,677	(15,963)	926	(14,257)
Operating EBITDA	$ 120,497	$ 169,467	$ 161,675	$ 37,124	$ 47,996

RISK FACTORS

Before making an investment decision, you should carefully consider the following risks. The risks described below are not the only ones that we face. Any of the following risks could have a material adverse effect on our business, financial condition and operating results. Additional risks and uncertainties of which we are unaware or currently believe are immaterial may also impair our business operations. The trading price of our common stock could decline due to any of these risks, and you could lose all or part of your investment in our common stock. Before making an investment decision, you should also read the other information included or incorporated by reference in this prospectus and our financial statements and the related notes incorporated by reference in this prospectus.

Risks Related to General Business Operations

Our ten largest clients were responsible for 55.5% of our consolidated revenue last year, 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 were responsible for approximately 55.5% of our consolidated revenue during the year ended December 31, 2002, with Limited Brands and its retail affiliates representing approximately 18.8% of our 2002 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 to either 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.

Transaction Services. Our 10 largest clients in this segment were responsible for approximately 61.6% of our Transaction Services revenue in 2002. Limited Brands and its retail affiliates were the largest Transaction Services client in 2002, representing approximately 19.8% of this segment's 2002 revenue, and Brylane, our second largest Transaction Services client, was responsible for approximately 10.0% of this segment's 2002 revenue. Our contracts with Limited Brands and its retail affiliates expire in 2009, and our contracts with Brylane expire in 2013. Equiva Services, LLC, which is the service provider to Shell branded locations in the United States, was responsible for approximately 3.1% of this segment's 2002 revenue, or 1.9% of our overall 2002 consolidated revenue. Through our Equiva relationship, we were responsible for processing credit and debit card transactions at Shell gas stations in the United States through our point-of-sale terminals. Our contract with Equiva expired in December 2002. We do not believe that the loss of Equiva will have a material adverse effect on our results of operations.

Credit Services. Our two largest clients in this segment were responsible for approximately 66.9% of our Credit Services revenue in 2002. Limited Brands and its retail affiliates were responsible for approximately 44.5%, and Brylane was responsible for approximately 22.4% of our Credit Services revenue in 2002.

Marketing Services. Our 10 largest clients in this segment were responsible for approximately 68.2% of our Marketing Services revenue in 2002. BMO Bank of Montreal, Canada Safeway, Shell Canada and Amex Bank of Canada were the four largest Marketing Services clients in 2002, responsible for approximately 54.0% of our 2002 Marketing Services revenue. BMO Bank of Montreal represented approximately 28.8% of this segment's 2002 revenue. Our contract with Shell Canada expires on July 31, 2003.

Limited Commerce Corp., the selling stockholder and an affiliate of our largest client, Limited Brands, will continue to own a large portion of our common stock and continue to have the right to designate two members of our board of directors, and as a result it will continue to have the ability to influence our corporate affairs in a manner that could be inconsistent with the best interests of our other stockholders.

Eight of our clients are retail affiliates of Limited Commerce Corp., our second largest stockholder and a wholly owned subsidiary of Limited Brands. Limited Brands, together with its retail affiliates, is our largest client. Prior to this offering, Limited Commerce Corp. beneficially owned approximately 19.5% of our common stock. Upon the completion of this offering, assuming all the shares Limited Commerce Corp. is offering are sold, it will beneficially own 9.9% of our common stock, or 9.8% if the underwriters exercise their over-allotment option in full. In connection with this offering, we have agreed with Limited Commerce Corp. and Welsh, Carson, Anderson & Stowe to amend the stockholders agreement effective upon closing of this offering to provide that Limited Commerce Corp. has the right to designate up to two nominees for election to our board of directors as long as it continues to own at least 9% of our common stock. Mr. Soll and Mr. Finkelman are the current designees of Limited Commerce Corp., whose terms expire in 2004 and 2005, respectively. As a significant stockholder with board representation, Limited Brands, unlike our other clients, is able to exercise significant influence over matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions. The interests of Limited Brands may not be aligned with the interests of our company or other stockholders. Limited Brands could use its influence as a major client and large stockholder to negotiate contracts with us that have terms that are more favorable to Limited Brands than could be obtained by unaffiliated retailers. In addition, Limited Brands could use its influence and could act to hinder our ability to enter into contracts with its competitors.

Competition in our industry 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. Many of our current competitors have longer operating histories, stronger brand names and greater financial, technical, marketing and other resources than we do. We cannot assure you that we will be able to compete successfully against our current and potential competitors.

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

Our growth and continued profitability rely on acceptance of the services that we offer. If demand for transaction, credit or marketing services decreases, the price of our common stock could fall and you could lose value in your investment. Loyalty and database marketing strategies are relatively new to retailers, and we cannot guarantee that merchants will continue to use these types of marketing strategies. Changes in technology may enable merchants and retail companies to directly process transactions in a cost-efficient manner without the use of our services. Additionally, downturns in the economy or the performance of retailers may result in a decrease in the demand for our marketing strategies. Further, if our customers make fewer sales of their 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 other reasons could have a material adverse effect on our growth and revenue.

We cannot assure you that we will effectively integrate acquisitions or realize their full benefits, and future acquisitions may result in dilutive equity issuances or increases in debt.

We expect to continue to seek selective acquisitions as an element of our growth strategy. If we are unable to successfully integrate completed or any future acquisitions, we may incur substantial costs

and delays or other operational, technical or financial problems, any of which could harm our business and impact the trading price of our common stock. In addition, the failure to successfully integrate any future acquisition may divert management's attention from our core operations or could harm our ability to timely meet the needs of our customers. To finance future acquisitions, we may need to raise funds either by issuing equity securities or incurring debt. If we issue additional equity securities, such sales could reduce the current value of our stock by diluting the ownership interest of our stockholders.

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 from consumers.

An important feature of our marketing and credit services is our ability to develop and maintain individual consumer profiles. As part of our AIR MILES Reward Program, database marketing program and private label program, we maintain marketing databases containing information on consumers' account transactions. Although we have extensive security procedures, our databases may be subject to unauthorized access. If we experience a security breach, the integrity of our marketing databases could be affected. Security and privacy concerns may cause consumers to resist providing the personal data necessary to support our profiling capability. The use of our loyalty, database marketing or private label programs could decline if any well-publicized compromise of security occurred. Any public perception that we released consumer information without authorization could subject us to legal claims from consumers and adversely affect our client relationships.

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

Our ability to protect our data centers against damage from fire, power loss, telecommunications failure and other disasters is critical. In order to provide many of our services, we must be able to store, retrieve, process and manage large databases and periodically expand and upgrade our capabilities. Any damage to our data centers, any failure of our telecommunication links that interrupts our operations or any impairment of our ability to use software licensed to us could adversely affect our ability to meet our clients' needs and their confidence in utilizing us for future services.

As a result of our significant Canadian operations, our reported financial information will be affected by fluctuations in the exchange rate between the U.S. and Canadian dollars.

A significant portion of our Marketing Services revenue is derived from our Loyalty Group operations in Canada, which transacts business in Canadian dollars. Therefore, our reported financial information from quarter-to-quarter will be affected by changes in the exchange rate between the U.S. and Canadian dollars over the relevant periods.

Our hedging activity subjects us to off-balance sheet counter party risks relating to the creditworthiness of the commercial banks with whom we enter into hedging transactions.

In order to execute our hedging strategies, we have entered into interest rate and foreign currency derivative contracts with commercial banks. These banks are otherwise known as counter parties. It is our policy to enter into such contracts with counter parties that are deemed to be creditworthy. However, if macro or micro economic events were to negatively impact the respective banks, the banks might not be able to honor their obligations and we might suffer a loss.

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 cannot assure you that we will 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 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.

If we are required to pay state taxes on transaction processing, it could negatively impact our profitability.

Transaction processing companies may be subject to state taxation of certain portions of their fees charged to merchants for their services. If we are required to pay such taxes and are unable to pass this tax expense through to our merchant clients, these taxes would negatively impact our profitability.

Risks Particular to Transaction Services

The pace of deregulation in the utility sector may not continue as predicted.

The pace of deregulation may not continue as predicted, thereby creating fewer opportunities for the types of services we provide. If the pace of deregulation were to slow, we would increase our focus on regulated activities, which have traditionally been less open to outsourcing.

In 2002, our Transaction Services segment derived nearly 46% of its revenue from servicing cardholder accounts for the Credit Services segment. If the Credit Services segment suffered a significant client loss, our revenue and profitability attributable to the Transaction Services segment could be materially and adversely affected.

Our Transaction Services segment performs card processing and servicing activities for cardholder accounts generated by our Credit Services segment. During 2002, our Transaction Services segment derived $245.6 million, or 45.6% of its revenues, from these services for our Credit Services segment. The financial performance of our Transaction Services segment, therefore, is linked to the activities of our Credit Services segment. If the Credit Services segment were to lose a significant client, our revenue and profitability attributable to the Transaction Services segment could be materially and adversely affected.

Risks Particular to Credit Services

If we are unable to securitize our credit card receivables due to changes in the market, the unavailability of credit enhancements, an early amortization event or for other reasons, we would not be able to fund new credit card receivables, which would have a negative impact on our operations and earnings.

Since January 1996, we have sold substantially all of the credit card receivables originated by our private label credit card bank, World Financial Network National Bank, to WFN Credit Company,

LLC, which in turn sold them to World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust as part of our securitization program. This securitization program is the primary vehicle through which World Financial Network National Bank finances our private label credit card receivables. If World Financial Network National Bank were not able to regularly securitize the receivables it originates, our ability to grow or even maintain our credit services business would be materially impaired. World Financial Network National Bank's ability to effect securitization transactions is impacted by the following factors, some of which are beyond our control:

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

Once World Financial Network National Bank securitizes receivables, the agreement governing the transaction contains covenants that address the receivables' performance and the continued solvency of the retailer where the underlying sales were generated. In the event such a covenant or other similar covenant is breached, an early amortization event could be declared, in which case the trustee for the securitization trust would retain World Financial Network National Bank's interest in the

related receivables, along with the excess interest income that would normally be paid to World Financial Network National Bank, until such time as the securitization investors are fully repaid. The occurrence of an early amortization event would significantly limit, or even negate, our ability to securitize additional receivables.

Increases in net charge-offs beyond our current estimates could have a negative impact on our operating 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 beyond historical levels will reduce the net spread available to us from the securitization master trust and could result in a reduction in finance charge income or a write-down of the interest only strip. 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 among consumers. In addition to being affected by general economic conditions and the success of our collection and recovery efforts, our delinquency and net credit card receivable charge-off rates are affected by the credit risk of credit card receivables and the average age of our various credit card account portfolios. The average age of credit card receivables affects the stability of delinquency and loss rates of the portfolio. At December 31, 2002, 47.7% of the total number of our securitized accounts with outstanding balances and 41.3% of the amount of our outstanding securitized loans were less than 24 months old. For 2002, our securitized net charge-off ratio was 7.4% compared to 8.4% for 2001 and 7.6% for 2000. We cannot assure you that our pricing strategy can offset the negative impact on profitability caused by increases in delinquencies and losses. Any material increases in delinquencies and losses beyond our current estimates could have a material adverse impact on us and the value of our net retained interests in loans that we sell through securitizations.

Changes in the amount of payments and defaults by cardholders on credit card balances may cause a decrease in the estimated value of interest only strips.

The estimated fair value of interest only strips depends upon the anticipated cash flows of the related credit card receivables. A significant factor affecting the anticipated cash flows is the rate at which the underlying principal of the securitized credit card receivables is reduced. Other assumptions used in estimating the value of the interest only strips include estimated future credit losses and a discount rate commensurate with the risks involved. The rate of cardholder payments or defaults on credit card balances may be affected by a variety of economic factors, including interest rates and the availability of alternative financing, most of which are not within our control. A decrease in interest rates could cause cardholder payments to increase, thereby requiring a write down of the interest only strips. If payments from cardholders or defaults by cardholders exceed our estimates, we may be required to decrease the estimated value of the interest only strips through a charge against earnings.

Interest rate increases could significantly reduce the amount we realize from the spread between the yield on our assets and our cost of funding.

An increase in market interest rates could reduce the amount we realize from the spread between the yield on our assets and our cost of funding. A rise in market interest rates may indirectly impact the payment performance of consumers or the value of, or amount we could realize from the sale of, interest only strips. At December 31, 2002, approximately 3.4% of our outstanding debt, including the off-balance sheet debt of our securitization program, was subject to fixed rates with a weighted average interest rate of 6.6%. An additional 70.0% of our outstanding debt at December 31, 2002 was locked at an effective interest rate of 5.5% through interest rate swap agreements and treasury locks with notional amounts totaling $1.7 billion. Assuming we do not take any counteractive measures, a 1.0% increase in interest rates would result in a decrease to pretax income of approximately $2.5 million. The foregoing sensitivity analysis is limited to the potential impact of an interest rate increase of 1.0% on cash flows and fair values, and does not address default or credit risk.

We expect growth in our credit services segment to result from new and acquired private label card programs whose credit card receivable performance could result in increased portfolio losses and negatively impact our net retained interests in loans securitized.

We expect an important source of growth in our private label card operations to come from the acquisition of existing private label programs and initiating private label programs with retailers who do not currently offer a private label 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 assure you that the loss experience on acquired and start-up programs will be consistent with our more established programs. The failure to successfully underwrite these private label programs may result in defaults greater than our expectations and could have a material adverse impact on us and the value of our net retained interests in loans securitized.

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

Various Federal and state laws and regulations significantly limit the credit services activities in which we are permitted to engage. Such laws and regulations, among other things, limit the fees and other charges that we can impose on customers, limit or prescribe certain other terms of our products and services, require specified disclosures to consumers, or require that we maintain certain licenses, qualifications and 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 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.

If our bank subsidiary fails to meet credit card bank criteria, we may become subject to regulation under the Bank Holding Company Act, which would force us to cease all of our non-banking business activities and thus cause a drastic reduction in our profits and revenue.

Our bank subsidiary, World Financial Network National Bank, is a limited purpose credit card bank. The Bank Insurance Fund, which is administered by the Federal Deposit Insurance Corporation, insures the deposits of World Financial Network National Bank. World Financial Network National Bank is not a "bank" as defined under the Bank Holding Company Act because it is in compliance with the following requirements:

- it engages only in credit card operations;
- it does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties;
- it does not accept any savings or time deposits of less than $100,000, except for deposits pledged as collateral for extensions of credit;

- it maintains only one office that accepts deposits; and
- it does not engage in the business of making commercial loans.

If World Financial Network National Bank failed to meet the credit card bank criteria described above, World Financial Network National Bank would be a "bank" as defined by the Bank Holding Company Act, subjecting us to regulation under the Bank Holding Company Act. Being deemed a bank holding company could significantly harm us, as we could be required to either divest any activities deemed to be non-banking activities or cease any activities not permissible for a bank holding company and its affiliates. While the consequences of being subject to regulation under the Bank Holding Company Act would be severe, we believe that the risk of becoming subject to such regulation is minimal as a result of the precautions we have taken in structuring our business.

Risks Particular to Marketing Services

Air Canada is the dominant air carrier in Canada and the primary supplier of airline tickets for our AIR MILES Reward Program. Our costs may increase if we are unable to extend our current pricing arrangements with Air Canada, and we may not be able to meet the needs of our collectors if the seating capacity made available to us by Air Canada is inadequate to meet our collectors' demands.

Our supply agreement with Air Canada, which expires on December 31, 2004, limits our guaranteed seating capacity and right to purchase tickets at negotiated rates in 2003 and 2004 to itineraries that include routes on which Air Canada is the only air carrier providing daily direct service on large aircraft. These itineraries tend to be less frequently requested by collectors. Air Canada continues to provide us with seating capacity well in excess of guaranteed levels on all its routes and continues to allow us to purchase tickets at negotiated rates on all its routes. Air Canada faces substantial debt maturities in 2003 and 2004 as well as increasing competition from other airlines. On April 1, 2003, Air Canada filed for bankruptcy protection under the Canadian Companies' Creditors Arrangement Act. If we are unable to negotiate an extension of our supply agreement or if our supply agreement is terminated in Air Canada's bankruptcy proceedings, we may be required to pay more for tickets from Air Canada than the negotiated rates or to purchase tickets from other airlines. Tickets from other airlines could be more expensive than a comparable ticket under the Air Canada supply agreement, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming collectors. As a result, we would experience higher air travel redemption costs than we

experienced in 2002 while at the same time collector satisfaction with the AIR MILES Reward Program may be adversely affected by requiring travel on other carriers on certain routes.

If actual redemptions by collectors of AIR MILES reward miles are greater than expected, 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 unredeemed reward miles is known as "breakage" in the loyalty industry. While our AIR MILES reward miles currently do not expire, we experience breakage when reward miles are not redeemed by collectors for a number of reasons, including:

- loss of interest in the program or sponsors;
- collectors moving out of the program area; and
- death of a collector.

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

We face increased competition from Aeroplan, Air Canada's proprietary frequent flyer program.

In January 2003, Air Canada announced the sale of a 35% equity interest in Aeroplan to Onex Corporation on terms that would enhance Aeroplan's ability to compete with our AIR MILES Reward Program through access to increased funding and other resources. As a result, we may experience greater competition in attracting and retaining sponsors in our AIR MILES Reward Program.

The loss of our most active AIR MILES reward miles collectors could negatively impact our growth and profitability.

Our most active AIR MILES reward miles collectors represent a disproportionately large percentage of our AIR MILES Reward Program revenue. We estimate that over half of the AIR MILES Reward Program revenues for 2003 will be derived from our most active AIR MILES reward miles collectors. The loss of a significant portion of these collectors, for any reason, could impact our ability to generate significant revenue from sponsors and loyalty partners. The continued attractiveness of our loyalty and rewards programs will depend in large part on our ability to remain affiliated with sponsors that are desirable to consumers and to offer rewards that are both attainable and attractive.

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. As a result of airline or travel industry disruptions, such as resulted from the catastrophic events of September 11, 2001, or as might result from political instability, other terrorist acts or war, some collectors could determine that air travel is too dangerous or, given new airport regulations, too burdensome. Consequently, collectors might forego redeeming points 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. A reduction in collector use of the program could impact our ability to attract new sponsors and loyalty partners and to generate revenue from current sponsors and loyalty partners.

Air Canada faces substantial debt maturities in 2003 and 2004 as well as increasing competition from other airlines. On April 1, 2003, Air Canada filed for bankruptcy protection under the Canadian Companies' Creditors Arrangement Act. If Air Canada were to cease operation or if our supply

agreement is terminated in Air Canada's bankruptcy proceedings, we could experience service disruptions that would adversely affect our ability to fulfill collector flight redemption requests and lead to higher air travel redemption costs.

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

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

The federal Gramm Leach Bliley Act makes it more difficult to collect and use information that has been legally available and may increase our costs of collecting some data. Regulations under this act give cardholders the ability to "opt out" of having information generated by their credit card purchases shared with other parties or the public. Our ability to gather 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 from using their data. Under the regulations, we generally are required to refrain from sharing data generated by our new cardholders until such cardholders are given the opportunity to "opt out."

The Personal Information Protection and Electronic Documents Act enacted in Canada 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. The Loyalty Group allows its 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 more customers "opting out" at higher rates than they have historically. This would mean that a reduced number of customers would receive bonus mile offers and therefore would collect fewer AIR MILES reward miles.

Risks Related to Our Company

Some of our stockholders currently own a significant amount of our common stock. These stockholders may have interests that conflict with yours and would be able to control the election of directors and the approval of significant corporate transactions, including a change in control.

Limited Commerce Corp. and the affiliated entities of Welsh Carson beneficially owned approximately 19.5% and 58.1%, respectively, of our outstanding common stock as of April 14, 2003. Under a stockholders agreement, the size of our board of directors is set at nine. Welsh Carson has the right to designate up to three nominees for election to the board of directors as long as it owns more than 20% of our common stock. Limited Commerce Corp. has the right to designate up to two of the nominees as long as it owns more than 10% of our common stock and one of the nominees as long as it owns between 5% and 10% of our common stock. In connection with this offering, we have agreed with Limited Commerce Corp. and Welsh Carson to amend the stockholders agreement effective upon closing of this offering to provide that Limited Commerce Corp. has the right to designate up to two nominees for election to our board of directors as long as it continues to own at least 9% of our common stock. Upon the completion of this offering, assuming all the shares Limited Commerce Corp. is offering are sold, it will beneficially own 9.9% of our common stock, or 9.8% if the underwriters exercise their over-allotment option in full, and assuming all the shares we are offering are sold, Welsh

Carson will beneficially own 56.6% of our common stock, or 55.7% if the underwriters exercise their over-allotment option in full. As a result, Welsh Carson will continue to have the right to designate three nominees for election to our board of directors and Limited Commerce Corp. will continue to have the right to designate two nominees for election to our board of directors as long as it continues to own at least 9% of our common stock. As a result of board designation powers, these stockholders are able to exercise significant influence over, and in most cases control, matters requiring stockholder approval, including the election of directors, changes to our charter documents and significant corporate transactions. This concentration of ownership makes it unlikely that any other holder or group of holders of common stock will be able to affect the way we are managed or the direction of our business. Limited Commerce Corp. and Welsh Carson may have interests that conflict with the interests of our company or other stockholders. Their continued concentrated ownership will make it impossible for another company to acquire us and for you to receive any related takeover premium for your shares unless they approve the acquisition.

Delaware law and our charter documents could prevent a change of control that might be beneficial to you.

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

- a board of directors classified into three classes of directors with the directors of each class having staggered, three-year terms;
- our board's authority to issue shares of preferred stock without further stockholder approval; and
- provisions of Delaware law that restrict many business combinations and provide that directors serving on staggered boards of directors, such as ours, may be removed only for cause.

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

Risks Related to this Offering

If the price of our common stock fluctuates significantly, your investment could lose value.

Prior to June 2001, there was no public market for our common stock. Although our common stock is listed on the New York Stock Exchange, we cannot assure you that our common stock will trade in the public market subsequent to this offering at or above the offering price. The stock market is subject to significant price and volume fluctuations, and the price of our common stock could fluctuate widely in response to several factors, including:

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

The stock market has experienced extreme price and volume fluctuations in recent years that have significantly affected the quoted prices of the securities of many companies, including companies in our industry. The changes often appear to occur without regard to specific operating performance. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company and these fluctuations could materially reduce our stock price.

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

After this offering, we will have an aggregate of 106,790,209 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 also reserved 16,253,000 shares of our common stock for issuance under our stock option and restricted stock plans and employee stock purchase plan, of which 7,090,913 shares are issuable upon vesting of restricted stock awards and upon exercise of options granted as of March 31, 2003, including options to purchase approximately 3,549,324 shares exercisable as of March 31, 2003 or that will become exercisable within 60 days after March 31, 2003. We have reserved 1,500,000 shares of our common stock for issuance under our 401(k) and Retirement Savings Plan. 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 dilute the percentage ownership held by our stockholders. In addition, sales of a substantial number of shares of common stock by Limited Commerce Corp. or Welsh Carson, or the perception that such sales could occur, could also adversely affect prevailing market prices of our common stock.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may use words such as "anticipate," "believe," "estimate," "expect," "intend," "predict," "project" and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management's beliefs and assumptions, using information currently available to us. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed in "Risk Factors" and elsewhere in this prospectus and the documents incorporated by reference in this prospectus.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements contained in this prospectus or in the documents incorporated herein by reference 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.

USE OF PROCEEDS

The net proceeds from our sale of 2,000,000 shares of our common stock in this offering will be approximately $32.5 million, or $54.8 million if the underwriters exercise their over-allotment option in full, based on an assumed public offering price of $17.39 per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses. We will not receive any proceeds from the sale of common stock offered by the selling stockholder. We intend to use the net proceeds plus other available funds to repay debt outstanding, plus accrued interest, under a 10% subordinated note that we issued in September 1998 to an affiliated entity of Welsh Carson. The Welsh Carson note was issued in a principal amount of $52 million and bears interest at a rate of 10%, payable on each January 1 and July 1. Principal on the note is due in two equal installments on September 15, 2007 and September 15, 2008.

PRICE RANGE OF COMMON STOCK

In June 2001, we completed the initial public offering of our common stock at a price of $12.00 per share. Our common stock is listed on the New York Stock Exchange and trades under the symbol "ADS." The following table sets forth for the periods indicated the high and low composite per share closing sales prices as reported by the New York Stock Exchange.

	High	Low
Fiscal Year Ended December 31, 2001		
Second quarter (June 8 to June 30)	$ 15.11	$ 12.86
Third quarter	16.75	11.35
Fourth quarter	19.15	14.33
Fiscal Year Ended December 31, 2002		
First quarter	25.14	17.51
Second quarter	25.95	20.45
Third quarter	25.15	14.08
Fourth quarter	21.00	13.85
Fiscal Year Ending December 31, 2003		
First quarter	19.02	14.79
Second quarter (April 1 to April 14)	17.90	16.15

As of April 14, 2003, the closing price of our common stock was $17.39, there were 75,144,934 shares of our common stock outstanding, and there were approximately 70 holders of record of our common stock.

DIVIDEND POLICY

We have never declared or paid any 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 future earnings, if any, to finance operations 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 facilities, we cannot declare or pay dividends or return capital to our common stockholders, and we are restricted in the amount of any other distribution, payment or delivery of property or cash to our common stockholders.

CAPITALIZATION

The following table presents our capitalization as of December 31, 2002. Total capitalization is equal to stockholders' equity plus long-term debt. Our capitalization is presented:

- on an actual basis; and
- on an as adjusted basis to reflect our receipt of the estimated net proceeds from the sale of 2,000,000 shares of common stock by us in this offering at an assumed public offering price of $17.39 per share, after deducting the estimated underwriting discount and estimated offering expenses, and the application of the proceeds therefrom.

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

	As of December 31, 2002	
	Actual	Pro forma as adjusted
	(amounts in thousands, except per share data)	
Cash and cash equivalents	$ 30,439	$ 30,439
Certificates of deposit	$ 90,000	$ 90,000
Current portion of term debt and revolving loan commitment	94,993	114,453
Total short-term debt	$ 184,993	$ 204,453
Long-term debt, excluding current portion:		
Certificates of deposit	$ 6,200	$ 6,200
Term debt and other	49,718	49,718
Subordinated debt	52,000	—
Total long-term debt	107,918	55,918
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized actual and pro forma as adjusted; 74,938 shares issued and outstanding, actual; 76,938 issued and outstanding, pro forma as adjusted	749	769
Additional paid in capital	522,209	554,730
Treasury stock	(6,151)	(6,151)
Retained earnings	34,341	32,241
Accumulated other comprehensive loss	(8,410)	(8,410)
Total stockholders' equity	542,738	573,179
Total capitalization	$ 650,656	$ 629,097

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

Prior to December 31, 1998, our fiscal year was based on a 52/53 week fiscal year ending on the Saturday closest to January 31. We have since changed our fiscal year end to December 31. Fiscal 1998 represents the eleven month period ended December 31, 1998. The following table sets forth our summary historical financial information for the periods ended and as of the dates indicated. You should read the following historical financial information along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this prospectus and the financial statements and related notes that are incorporated by reference in this prospectus. The financial information for fiscal year 1998 is derived from audited financial statements not included or incorporated by reference in this prospectus.

Eleven Months Ended December 31, 1998	Year ended December 31,			
	1999	2000	2001	2002

(amounts in thousands, except per share data)

Income statement data					
Total revenue	$ 410,913	$ 583,082	$ 678,195	$ 777,351	$ 871,451
Cost of operations	335,804	466,856	547,985	603,493	668,231
General and administrative	17,589	35,971	32,201	45,431	56,097
Depreciation and other amortization	8,270	16,183	26,265	30,698	41,768
Amortization of purchased intangibles	43,766	61,617	49,879	43,506	24,707
Total operating expenses	405,429	580,627	656,330	723,128	790,803
Operating income	5,484	2,455	21,865	54,223	80,648
Other expenses	—	—	2,477	5,000	—
Fair value loss on interest rate derivative	—	—	—	15,131	12,017
Interest expense	27,884	42,785	38,870	30,097	21,215
Income (loss) from continuing operations before income taxes, discontinued operations and extraordinary item	(22,400)	(40,330)	(19,482)	3,995	47,416
Income tax expense (benefit)	(4,708)	(6,538)	1,841	11,612	20,671
Income (loss) from continuing operations before discontinued operations and extraordinary item	(17,692)	(33,792)	(21,323)	(7,617)	26,745
Income (loss) from discontinued operations, net of taxes	(300)	7,688	—	—	—
Loss on disposal of discontinued operations, net of taxes	—	(3,737)	—	—	—
Extraordinary item, net	—	—	—	(615)	(542)
Net income (loss)	$ (17,992)	$ (29,841)	$ (21,323)	$ (8,232)	$ 26,203
Income (loss) per share from continuing operations — basic (before extraordinary item)	$ (0.42)	$ (0.78)	$ (0.60)	$ (0.17)	$ 0.36
Income (loss) per share from continuing operations — diluted (before extraordinary item)	$ (0.42)	$ (0.78)	$ (0.60)	$ (0.17)	$ 0.35
Net income (loss) per share — basic	$ (0.43)	$ (0.70)	$ (0.60)	$ (0.18)	$ 0.35
Net income (loss) per share — diluted	$ (0.43)	$ (0.70)	$ (0.60)	$ (0.18)	$ 0.34
Weighted average shares used in computing per share amounts — basic	41,729	47,498	47,538	64,555	74,422
Weighted average shares used in computing per share amounts — diluted	41,729	47,498	47,538	64,555	76,696

	Eleven Months Ended December 31, 1998	Year ended December 31, 1999	2000	2001	2002
		(amounts in thousands)			
EBITDA and Operating EBITDA(1)					
EBITDA	$ 57,520	$ 80,255	$ 98,009	$ 128,427	$ 147,123
Operating EBITDA	$ 66,411	$ 107,932	$ 120,497	$ 169,467	$ 161,675
Other financial data					
Cash flows from operating activities before change in merchant settlement activity	$ 8,574	$ 241,158	$ 70,035	$ 113,015	$ 197,149
Merchant settlement activity	737	10,480	17,148	55,240	(69,387)
Cash flows from operating activities	$ 9,311	$ 251,638	$ 87,183	$ 168,255	$ 127,762
Cash flows from investing activities	$ (145,386)	$ (309,451)	$ (24,457)	$ (190,982)	$ (192,603)
Cash flows from financing activities	$ 163,282	$ 74,929	$ 1,144	$ 32,497	$ (15,999)
Segment operating data					
Statements generated	117,672	132,817	127,217	131,253	138,669
Transactions processed/core transactions processed in 2002(2)	1,073,040	1,839,857	2,519,535	2,754,105	1,660,374
Credit sales	$ 2,866,062	$ 3,132,520	$ 3,685,069	$ 4,050,554	$ 4,924,952
Average securitized portfolio	$ 1,905,927	$ 2,004,827	$ 2,073,574	$ 2,197,935	$ 2,408,444
AIR MILES reward miles issued	611,824	1,594,594	1,927,016	2,153,550	2,348,133
AIR MILES reward miles redeemed	158,281	529,327	781,823	984,926	1,259,951

	As of December 31,
	2002

	1998	1999	2000	2001	Actual	Pro forma as adjusted(3)
			(amounts in thousands)			
Balance sheet data						
Cash and cash equivalents	$ 47,036	$ 56,546	$ 116,941	$ 117,535	$ 30,439	$ 30,439
Seller's interest and credit card receivables, net	139,458	150,804	137,865	128,793	147,899	147,899
Redemption settlement assets, restricted	70,178	133,650	152,007	150,330	166,293	166,293
Intangibles, net	105,397	101,846	72,953	76,886	76,774	76,774
Goodwill, net	257,400	391,763	371,596	415,111	438,608	438,608
Total assets	1,091,008	1,301,263	1,421,179	1,477,218	1,453,418	1,451,318
Deferred revenue — service and redemption	158,192	249,341	290,186	329,549	360,064	360,064
Certificates of deposit and other receivables funding debt	49,500	116,900	139,400	120,800	96,200	96,200
Credit facilities, subordinated debt and other	332,000	318,236	296,660	189,625	196,711	164,170
Total liabilities	796,203	921,791	1,058,788	971,490	910,680	878,139
Series A preferred stock	—	119,400	119,400	—	—	—
Total stockholders' equity	294,805	260,072	242,991	505,728	542,738	573,179

(1) See "Use of Non-GAAP Financial Measures" set forth herein for a discussion of our use of EBITDA and Operating EBITDA and a reconciliation to operating income, the most directly comparable GAAP financial measure.

(2) Core transactions processed in 2002 reflect our continued pruning of non-core low margin accounts in 2002, and accordingly only include transactions processed for continuing customers. If we were to eliminate transactions processed for those same accounts in 2001, core transactions processed in 2001 would have been 1,479,654.

(3) As adjusted to give effect to this offering and the use of the estimated net proceeds therefrom.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a leading provider of transaction services, credit services and marketing services in North America. We focus on facilitating and managing electronic transactions between our clients and their customers. We operate in three business segments: Transaction Services, Credit Services and Marketing Services.

Transaction Services. Transaction Services is our largest segment accounting for approximately one half of our company. The Transaction Services segment primarily generates revenue based on the number of transactions processed, statements generated and customer calls handled. Statements generated and transactions processed are the two primary drivers of revenue for this segment.

- *Statements Generated:* This driver represents the number of statements generated for our private label and utility clients. The number of statements generated in any given period is a fairly reliable indicator of the number of active accountholders during that period. In addition to receiving payment for each statement generated, we also are paid for other services such as remittance processing and customer care. Payments for statements generated represent approximately three quarters of this segment's revenue.
- *Transactions Processed:* This driver represents the number of electronic payments processed in merchant services, including credit card, debit card, prepaid card, electronic benefits and fleet and check transactions, and represents approximately one quarter of this segment's revenue. We are typically paid by our clients for each transaction processed.

Credit Services. Credit Services accounts for approximately one quarter of our company. The Credit Services segment primarily generates revenue from servicing fees from our securitization trusts, merchant discount fees, and net finance charges. Private label credit sales and average securitized portfolio are the two primary drivers of revenue for this segment.

- *Private Label Credit Sales:* This driver represents the dollar value of private label card sales that occur at our clients' point of sale terminals or through catalogs or web sites. We are paid a percentage of these sales, referred to as merchant discount, from the retailers that utilize our private label program. Private label credit sales typically lead to higher portfolio balances as cardholders finance their purchases through our credit card bank.
- *Average Securitized Portfolio:* This represents the average balance of outstanding receivables from our cardholders that have been securitized. Customers are assessed a finance charge based on their outstanding balance at the end of a billing cycle. There are many factors that drive the outstanding balances such as payment rates, charge-offs, recoveries and delinquencies. Management actively monitors all of these factors. Generally we securitize our receivables, which results in a sale for accounting purposes and effectively removes them from our balance sheet to one of our securitization trusts.

Marketing Services. Marketing Services accounts for approximately one quarter of our company. Marketing services is represented primarily by our AIR MILES Reward Program, which we believe to be the largest loyalty program in Canada. We primarily collect fees from our clients based on the number of AIR MILES reward miles issued and in limited circumstances the number of AIR MILES reward miles redeemed. All of the fees collected for AIR MILES reward miles issued are deferred and recognized over time. AIR MILES reward miles issued and AIR MILES reward miles redeemed are the two primary drivers of revenue for this segment, and as a result they are both indicators of the success of the program. These two drivers are also important in the revenue recognition process.

- *AIR MILES Reward Miles Issued:* The number of AIR MILES reward miles issued depends upon the buying activity of the collectors at our participating sponsors. The fees collected from sponsors for the issuance of AIR MILES reward miles represents future revenue and earnings for us.

- *AIR MILES Reward Miles Redeemed:* A majority of the revenue we recognize in this segment is derived from the redemptions of AIR MILES reward miles by collectors. Redemptions also show that collectors are attaining the rewards that are offered through our programs.

Recent Developments

On April 15, 2003, we announced our first quarter 2003 results. Total first quarter revenue increased 14.2% to $240.2 million compared to $210.3 million for the first quarter of 2002. Net income increased 173.3% to $12.3 million for the first quarter of 2003, or $0.16 per share, compared to $4.5 million, or $0.06 per share, for the first quarter of 2002. Operating income for the first quarter of 2003 increased 71.8% to $25.6 million compared to $14.8 million for the first quarter of 2002, and EBITDA for the first quarter of 2003 increased 38.4% to $42.9 million compared to $30.9 million for the first quarter of 2002. We recognized $2.7 million in stock compensation expense primarily related to the vesting of performance based restricted stock in the first quarter of 2003 and recognized $2.9 million in stock compensation expense in the first quarter of 2002. Transaction Services revenue increased 8.2% in the first quarter of 2003 to $143.1 million. Marketing Services revenue increased 9.3% in the first quarter of 2003 to $59.7 million. Credit Services revenue increased 33.0% in the first quarter of 2003 to $109.2 million.

Discussion of Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting policies that are described in the Notes to the 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 estimates that are deemed critical to the determination of 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 most critical accounting policies and estimates are described below.

Securitization of credit card receivables. We utilize a securitization program to finance substantially all of the credit card receivables that we underwrite. Our securitization trusts allow us to sell credit card receivables to the trusts on a daily basis. We use our off-balance sheet securitization program to lower our cost of funds and more efficiently use capital. In a securitization transaction, we sell credit card receivables originated by our Credit Services segment to a trust and retain servicing rights to those receivables, an equity interest in the trust, and an interest in the receivables. The securitization trusts are deemed to be qualifying special purpose entities under accounting principles generally accepted in the United States (GAAP) and are appropriately not included in our Consolidated Financial Statements. Our interest in the trusts is represented on our consolidated balance sheet as seller's interest (our interest in the receivables) and due from securitizations (our retained interests and credit enhancement components).

In turn, the trusts issue bonds in the capital markets and notes in private transactions. The proceeds from the debt are used to fund the receivables, while cash collected from cardholders is used

to finance new receivables and repay borrowings and related borrowing costs. The excess spread is remitted to us as finance charges, net.

Our retained interest, often referred to as an interest only strip, is recorded at fair value. The interest only strip is equal to between 1.75% and 2.25% of average securitized receivables. The fair value of our interest only strip represents the present value of the anticipated cash flows we have retained over the estimated outstanding period of the receivables. This anticipated excess cash flow consists of the excess of finance charges and past-due fees net of the sum of the return paid to bond holders, estimated contractual servicing fees and credit losses. Because there is not a highly liquid market for these assets, we estimated the fair value of the interest only strip primarily based upon discount, payment and default rates, which is the method we assume that another market participant would use to purchase the interest only strip. The estimated market assumptions are applied based upon the underlying loan portfolio grouped by loan types, terms, credit quality, interest rates and geographic location, which are the predominant characteristics that affect payment and default rates.

Changes in the fair value of the interest only strip are reflected in financial statements as additional gains related to new receivables originated and securitized or other comprehensive income related to mark to market changes. In recording and accounting for interest only strips, we made assumptions about rates of payments and defaults that we believe reasonably reflect economic and other relevant conditions that affect fair value. Due to subsequent changes in economic and other relevant conditions, the actual rates of payments and defaults generally differ from our initial estimates, and these differences could sometimes be material. If actual payment and default rates are higher than previously assumed, the value of the interest only strip could be impaired and the decline in the fair value recorded in earnings. Further sensitivity information is provided in the Notes to the Consolidated Financial Statements.

AIR MILES Reward Program. Because management has determined that the earnings process is not complete at the time an AIR MILES reward mile is issued, the recognition of revenue on all fees received based on issuance is deferred. We allocate the proceeds from issuances of AIR MILES reward miles into two components based on the relative fair value of the related element:

- *Redemption element.* The redemption element is the larger of the two components. For this component, we recognize revenue at the time an AIR MILES reward mile is redeemed, or, for those AIR MILES reward miles that we estimate will go unredeemed by the collector base, known as "breakage," over the estimated life of an AIR MILES reward mile. The total amount of deferred revenue related to the redemption element is shown on the balance sheet as "Deferred Revenue — Redemption."
- *Service element.* For this component, which consists of marketing and administrative services provided to sponsors, we recognize revenue pro rata over the estimated life of an AIR MILES reward mile. The total amount of deferred revenue related to the service element is shown on the balance sheet as "Deferred Revenue — Service."

Under certain of our contracts, a portion of the proceeds is paid to us at the issuance of AIR MILES reward miles and a portion is paid at the time of redemption. Under such contracts the proceeds received at issuance are initially deferred as service revenue and the revenue and earnings are recognized pro rata over the estimated life of an AIR MILES reward mile.

The amount of revenue ultimately recognized is subject to the estimated life of an AIR MILES reward mile. Based on our historical analysis, we make a determination as to average life of an AIR MILES reward mile. The estimated life is actively monitored by management and subject to external influences that may cause actual performance to differ from estimates. The estimated life of an AIR MILES reward mile is 42 months and has not changed in 2002.

We believe that the issuance and redemption of AIR MILES reward miles is influenced by the nature and volume of sponsors, the type of rewards offered, the overall health of the Canadian economy, the nature and extent of AIR MILES promotional activity in the marketplace and the extent of competing loyalty programs. These influences will primarily affect the average life of an AIR MILES reward mile. The shortening of the life of an AIR MILES reward mile will accelerate the recognition of revenue and may affect the breakage rate. As of December 31, 2002, we had $360.1 million in deferred revenue that will be recognized in the future.

Inter-Segment Sales

Our Transaction Services segment performs card processing and servicing activities related to our Credit Services segment. For this, our Transaction Services segment receives a fee equal to its direct costs before corporate overhead plus a margin. The margin is based on current market rates for similar services. This fee represents an operating cost to the Credit Services segment and a corresponding revenue for our Transaction Services segment. Inter-segment sales are eliminated upon consolidation. Revenues earned by our Transaction Services segment from servicing our Credit Services segment, and consequently paid by our Credit Services segment to our Transaction Services segment, are set forth opposite "Other and eliminations" in the tables presented in the annual comparisons below.

Use of Non-GAAP Financial Measures

EBITDA is a non-GAAP financial measure equal to operating income, the most directly comparable GAAP financial measure, plus depreciation and amortization. Operating EBITDA is a non-GAAP financial measure equal to EBITDA plus the change in deferred revenue less the (increase) decrease in redemption settlement assets. We have presented EBITDA and operating EBITDA because we use them to monitor compliance with the financial covenants in our credit agreements, such as debt-to-operating EBITDA and operating EBITDA to interest expense ratios. We also use EBITDA and operating EBITDA 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. Therefore, we believe that EBITDA and operating EBITDA provide useful information to our investors regarding our performance and overall results of operations. EBITDA and operating EBITDA are not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance or to the statement of cash flows as a measure of liquidity. In addition, EBITDA and operating EBITDA 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 generally accepted accounting principles. The EBITDA and operating EBITDA measures presented in this prospectus 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. The following sets forth a reconciliation of operating income to EBITDA and operating EBITDA:

	Eleven Months Ended December 31, 1998	Year ended December 31,				For the three months ended March 31,	
		1999	2000	2001	2002	2002	2003
	(amounts in thousands)						
Operating income	$ 5,484	$ 2,455	$ 21,865	$ 54,223	$ 80,648	$ 14,812	$ 25,627
Plus depreciation and other amortization	8,270	16,183	26,265	30,698	41,768	9,271	12,924
Plus amortization of purchased intangibles	43,766	61,617	49,879	43,506	24,707	6,837	4,355
EBITDA	57,520	80,255	98,009	128,427	147,123	30,920	42,906
Plus change in deferred revenue	20,729	91,149	40,845	39,363	30,515	5,278	19,347
Less (increase) decrease in redemption settlement assets	(11,838)	(63,472)	(18,357)	1,677	(15,963)	926	(14,257)
Operating EBITDA	$ 66,411	$ 107,932	$ 120,497	$ 169,467	$ 161,675	$ 37,124	$ 47,996

Results of Operations

Year ended December 31, 2001 compared to the year ended December 31, 2002

	Year ended December 31, 2001			
	Revenue	EBITDA	Depreciation & amortization	Operating income
	(amounts in thousands)			
Transaction Services	$ 503,178	$ 70,066	$ 44,716	$ 25,351
Credit Services	289,420	29,159	3,470	25,689
Marketing Services	201,651	29,202	26,018	3,183
Other and eliminations	(216,898)	—	—	—
Total	$ 777,351	$ 128,427	$ 74,204	$ 54,223

	Year ended December 31, 2002

	Revenue	EBITDA	Depreciation & amortization	Operating income
	(amounts in thousands)			
Transaction Services	$ 538,361	$ 76,772	$ 44,627	$ 32,145
Credit Services	342,132	37,911	6,724	31,187
Marketing Services	236,584	32,440	15,124	17,316
Other and eliminations	(245,626)	—	—	—
Total	$ 871,451	$ 147,123	$ 66,475	$ 80,648

Revenue. Total revenue increased $94.1 million, or 12.1%, to $871.5 million for 2002 from $777.4 million for 2001. The increase was due to a 7.0% increase in Transaction Services revenue, an 18.2% increase in Credit Services revenue and a 17.3% increase in Marketing Services revenue as follows:

- *Transaction Services.* Transaction Services revenue increased $35.2 million, or 7.0%, primarily due to increases in the generation of statements and in the revenue per statement generated, partially offset by a decrease in transactions processed. The increase in statements generated includes a change in the mix of statements generated. During 2002, utility services statements increased 130.8%, while serviced-only private label statements declined 72.8%. The increase in the number of statements generated by utility services was led by a full year of statements for Georgia Natural Gas and Puget Sound Energy. The decline in serviced-only private label is associated with the deconversion of Charming Shoppes, which led to a decrease in statements generated in the first half of the year. Full service private label statements generated increased 7.5%, primarily due to the addition of Pottery Barn, Restoration Hardware, Crate & Barrel, and Ann Taylor during 2002. In addition, the increase in utility services and full service private label statements led to an increase in revenue per statement of 12.0%. The decrease in transactions processed was the result of pruning of non-core accounts, which led to a decrease in merchant services revenue in the third and fourth quarters of 2002.
- *Credit Services.* Credit Services revenue increased $52.7 million, or 18.2%, due to increases in merchant discount fees, servicing fees and finance charges, net. Servicing fee income increased by $5.3 million, or 12.9%, during 2002 due to an increase in the average outstanding balance of the securitized credit card receivables. Finance charges, net, increased $35.2 million, or 20.9%, during 2002 as a result of a 9.6% higher average outstanding securitized portfolio. The net yield on our retail portfolio for 2002 was approximately 80 basis points higher than in 2001. The

increase in the net yield is largely related to lower net charge-offs in 2002, in addition to lower financing costs. The increase in merchant discount fees is related to the 21.6% increase in private label credit sales.

- *Marketing Services.* Marketing Services revenue increased $34.9 million, or 17.3%, primarily due to an increase in redemption revenue related to a 27.9% increase in the redemption of AIR MILES reward miles. Additionally, services revenue increased 10.8% as a result of a 9.0% increase in the number of AIR MILES reward miles issued and the corresponding recognition of deferred revenue balances. As a result of the increased issuance activity, our deferred revenue balance increased 9.3% to $360.1 million at December 31, 2002 from $329.5 million at December 31, 2001.

Operating Expenses. Total operating expenses, excluding depreciation and amortization, increased $75.4 million, or 11.6%, to $724.3 million for 2002 from $648.9 million for 2001. Total EBITDA margin increased to 16.9% for 2002 from 16.5% for 2001. The increase in EBITDA margin is due to increases in Transaction Services and Credit Services margins, partially offset by a decrease in Marketing Services margins.

- *Transaction Services.* Transaction Services operating expenses, excluding depreciation and amortization, increased $28.5 million, or 6.6%, to $461.6 million for 2002 from $433.1 million for 2001, and EBITDA margin increased to 14.3% for 2002 from 13.9% for 2001. The increase in EBITDA margin was primarily driven by the increased statement volumes in utilities services in addition to operational efficiencies in merchant services as a result of our pruning of non-core accounts and reduction of related expenses.
- *Credit Services.* Credit Services operating expenses, excluding depreciation and amortization, increased $43.9 million, or 16.9%, to $304.2 million for 2002 from $260.3 million for 2001, and EBITDA margin increased to 11.1% for 2002 from 10.1% for 2001. The increase in EBITDA margin is the result of lower net charge-offs and financing costs; excluding these factors, the increase in operating expenses is consistent with the increase in revenues.
- *Marketing Services.* Marketing Services operating expenses, excluding depreciation and amortization, increased $31.7 million, or 18.4%, to $204.1 million for 2002 from $172.4 million for 2001, and EBITDA margin decreased to 13.7% for 2002 from 14.5% for 2001. The decrease in EBITDA margin is primarily the result of an increase in marketing expense related to a brand refreshing campaign for the AIR MILES Reward Program in the fourth quarter of 2002.
- *Depreciation and Amortization.* Depreciation and amortization decreased $7.7 million, or 10.4%, to $66.5 million for 2002 from $74.2 million for 2001. The decrease is primarily due to a decrease in amortization of purchased intangibles of $18.8 million related to the non-amortization of goodwill in 2002 in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142. The decrease was partially offset by an increase in depreciation and amortization from increased capital expenditures.

Operating Income. Operating income increased $26.4 million, or 48.7%, to $80.6 million for 2002 from $54.2 million for 2001. Operating income increased primarily from revenue gains with modest increase of EBITDA margins and a decrease in depreciation and amortization.

Interest Expense. Interest expense decreased $8.9 million, or 29.6%, to $21.2 million for 2002 from $30.1 million for 2001 due in part to the repayment of $50.0 million of subordinated debt to Welsh Carson and Limited Brands in 2002. Additionally, we had lower average debt outstanding and experienced lower interest rates.

Fair Value Loss on Derivatives. During 2002, we incurred a $12.0 million fair value loss on an interest rate swap compared to a $15.1 million loss in 2001. Part of the fair value loss was associated

with cash payments we made to counter-parties of $9.4 million and $5.3 million in 2002 and 2001, respectively. In accordance with SFAS No. 133, fair value changes in derivative instruments that do not meet the accounting criteria for hedge treatment are recorded as part of earnings. The related derivative is a $200.0 million notional amount interest rate swap that swaps a LIBOR based variable interest rate for a fixed interest rate.

Taxes. Income tax expense increased $9.1 million to $20.7 million in 2002 from $11.6 million in 2001 due to an increase in taxable income. The effective rate decreased to 43.6% in 2002 from 290.7% in 2001.

Transactions with Limited Brands. Revenue from Limited Brands and its affiliates, which includes merchant and database marketing fees, increased $0.9 million to $44.4 million for 2002 from $43.5 million for 2001. Excluding the effect of the sale of Lane Bryant by Limited Brands in 2001, the increase would have been $4.1 million. We generate a significant amount of additional revenue from our cardholders who are customers of Limited Brands and its affiliates.

Year ended December 31, 2000 compared to the year ended December 31, 2001

	Year ended December 31, 2000			
	Revenue	EBITDA	Depreciation & amortization	Operating income
	(amounts in thousands)			
Transaction Services	$ 439,376	$ 54,764	$ 41,747	$ 13,017
Credit Services	268,183	25,318	1,259	24,059
Marketing Services	178,214	17,927	33,138	(15,211)
Other and eliminations	(207,578)	—	—	—
Total	$ 678,195	$ 98,009	$ 76,144	$ 21,865

	Year ended December 31, 2001			
	Revenue	EBITDA	Depreciation & amortization	Operating income
	(amounts in thousands)			
Transaction Services	$ 503,178	$ 70,066	$ 44,716	$ 25,351
Credit Services	289,420	29,159	3,470	25,689
Marketing Services	201,651	29,202	26,018	3,183
Other and eliminations	(216,898)	—	—	—
Total	$ 777,351	$ 128,427	$ 74,204	$ 54,223

Revenue. Total revenue increased $99.2 million, or 14.6%, to $777.4 million for 2001 from $678.2 million for 2000. The increase was due to a 14.5% increase in Transaction Services revenue, a 7.9% increase in Credit Services revenue and a 13.2% increase in Marketing Services revenue as follows:

- *Transaction Services.* Transaction Services revenue increased $63.8 million, or 14.5%, primarily due to an increase in the number of transactions processed and an increase in account processing in the utilities sector. Revenue related to transactions processed increased approximately $10.5 million as a result of a 9.3% increase in the number of transactions processed, partially offset by a decrease in the average price per transaction. A significant portion of the increase in transactions processed occurred among the large volume clients in the

petroleum industry with a lower price per transaction. Fees related to account processing and servicing increased $46.2 million during 2001 primarily from the increase in the number of utility services related statements. The increase in utility services related statements has resulted in increased revenue per statement, as we provide more services for utility services related statements. The increase in the number of utility services related statements is a result of three new long-term contracts signed in 2001. Additionally, inter-segment sales increased $9.3 million during 2001 as a result of increased account processing and servicing for our Credit Services segment due to an increase in the number of private label cardholders.

- *Credit Services.* Credit Services revenue increased $21.2 million, or 7.9%, due to increases in merchant discount fees, servicing fees and finance charges, net. Servicing fee income increased by $4.0 million, or 10.7%, during 2001 due to an increase in the average outstanding balance of the securitized credit card receivables. Finance charges, net, increased $12.4 million, or 8.0%, during 2001 as a result of a 6.0% higher average outstanding securitized portfolio. The net yield on our retail portfolio for 2001, including the cash payment to counter parties of $5.3 million, was approximately 40 basis points less than in 2000. The decrease in the net yield is largely related to higher net charge-off rates in 2001, partially offset by lower cost of funds in the second half of the year.
- *Marketing Services.* Marketing Services revenue increased $23.4 million, or 13.2%, primarily due to an increase in reward revenue related to a 26.0% increase in the redemption of AIR MILES reward miles. Additionally, services revenue increased 12.2% as a result of an 11.8% increase in the number of AIR MILES reward miles issued and the corresponding recognition of deferred revenue balances. As a result of the increased issuance activity, our deferred revenue balance increased 13.6% to $329.5 million at December 31, 2001 from $290.2 million at December 31, 2000.

Operating Expenses. Total operating expenses, excluding depreciation and amortization, increased $68.7 million, or 11.8%, to $648.9 million for 2001 from $580.2 million for 2000. Total EBITDA margin increased to 16.5% for 2001 from 14.5% for 2000. The increase in EBITDA margin is due to increases in Transaction Services, Credit Services and Marketing Services margins.

- *Transaction Services.* Transaction Services operating expenses, excluding depreciation and amortization, increased $48.5 million, or 12.6%, to $433.1 million for 2001 from $384.6 million for 2000, and EBITDA margin increased to 13.9% for 2001 from 12.5% for 2000. The increase in EBITDA margin is the result of operational efficiencies achieved in our merchant services business and increased statement volumes and revenue per statement in the utility services sector.
- *Credit Services.* Credit Services operating expenses, excluding depreciation and amortization, increased $17.4 million, or 7.2%, to $260.3 million for 2001 from $242.9 million for 2000, and EBITDA margin increased to 10.1% for 2001 from 9.4% for 2000. The increase in EBITDA margin is the result

of lower cost of funds offset by an increase in net charge-offs.

- *Marketing Services.* Marketing Services operating expenses, excluding depreciation and amortization, increased $12.1 million, or 7.6%, to $172.4 million for 2001 from $160.3 million for 2000, and EBITDA margin increased to 14.5% for 2001 from 10.1% for 2000. The increase in the margin is attributable to increased revenue and the leveraging of the existing infrastructure.
- *Depreciation and Amortization.* Depreciation and amortization decreased $1.9 million, or 2.5%, to $74.2 million for 2001 from $76.1 million for 2000. The decrease is primarily due to a decrease in amortization of purchased intangibles of $6.4 million related to certain purchased intangibles becoming fully amortized during the year, offset in part by new capital expenditures in 2001.

Operating Income. Operating income increased $32.3 million, or 147.5%, to $54.2 million for 2001 from $21.9 million for 2000. Operating income increased primarily from revenue gains with modest expansion of EBITDA margins and a decrease in depreciation and amortization.

Interest Expense. Interest expense decreased $8.8 million, or 22.6%, to $30.1 million for 2001 from $38.9 million for 2000 due to our use of approximately $90.8 million of proceeds from our initial public offering to repay in full a term loan, which resulted in a decrease in average debt outstanding and lower rates.

Fair Value Loss on Derivatives. During 2001, we incurred a $15.1 million fair value loss on an interest rate swap following the adoption of SFAS No. 133 on January 1, 2001. Part of the fair value loss was associated with cash payments we made to counter-parties of $5.3 million. In accordance with SFAS No. 133, fair value changes in derivative instruments that do not meet the accounting criteria for hedge treatment are recorded as part of earnings. The related derivative is a $200.0 million notional interest rate swap that swaps a LIBOR based variable interest rate for a LIBOR based fixed interest rate.

Taxes. Income tax expense increased $9.8 million to $11.6 million for 2001 from $1.8 million in 2000 due to an increase in taxable income. Our effective rate for 2001 was approximately 290.7% and is most significantly impacted by the non-deductibility of a portion of our amortization of purchased intangibles. During 2001, the Canadian corporate income tax rate was lowered. As a result, we recorded $5.7 million of income tax expense to reduce our net deferred tax assets in Canada.

Transactions with Limited Brands. Revenue from Limited Brands and its affiliates, which includes merchant and database marketing fees, decreased $3.2 million to $43.5 million for 2001 from $46.7 million for 2000, partially as a result of the sale of Lane Bryant by Limited Brands. Excluding the effect of the Lane Bryant sale, the decrease would have been $2.2 million. We generate a significant amount of additional revenue from our cardholders who are customers of Limited Brands and its affiliates.

Asset Quality

Our delinquency and net charge-off rates reflect, among other factors, the credit risk of credit card receivables, the average age of our various credit card account portfolios, the success of our collection and recovery efforts, and general economic conditions. The average age of our credit card portfolio affects the stability of delinquency and loss rates of the portfolio. We continue to focus our resources on refining our credit underwriting standards for new accounts and on collections and post charge-off recovery efforts to minimize net losses. At December 31, 2002, 47.7% of securitized accounts with balances and 41.3% of securitized loans were less than 24 months old.

Delinquencies. A credit card account is contractually delinquent if we do not receive the minimum payment by the specified due date on the cardholder's statement. It is our policy to continue to accrue interest and fee income on all credit card accounts, except in limited circumstances, until the account balance and all related interest and other fees are charged off or paid after 90 days. When an account becomes delinquent, we print a message on the 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 rolling to a more delinquent status. The collection system then recommends a collection strategy for the past due account based on the collection score and account balance and dictates the contact schedule and collections priority for the account. If we are unable to make a collection after exhausting all in-house efforts, we engage collection agencies and outside attorneys to continue those efforts.

The following table presents the delinquency trends of our securitized credit card portfolio:

	December 31, 2000	% of Total	December 31, 2001	% of Total	December 31, 2002	% of Total
			(dollars in thousands)			
Receivables outstanding	$ 2,319,703	100%	$ 2,451,006	100%	$ 2,775,138	100%
Loan balances contractually delinquent:						
31 to 60 days	$ 62,040	2.7%	$ 59,657	2.4%	$ 53,893	1.9%
61 to 90 days	36,095	1.5	34,370	1.4	33,332	1.2
91 or more days	64,473	2.8	64,175	2.6	64,295	2.3
Total	$ 162,608	7.0%	$ 158,202	6.4%	$ 151,520	5.5%

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

	Year ended December 31,		
	2000	2001	2002
	(dollars in thousands)		
Average securitized portfolio	$ 2,073,574	$ 2,197,935	$ 2,408,444

Net charge-offs	157,351	184,622	177,603
Net charge-offs as a percentage of average securitized portfolio	7.6%	8.4%	7.4%

We believe, consistent with our statistical models and other credit analyses, that our securitized net charge-off ratio will continue to fluctuate.

Age of Portfolio. The following table sets forth, as of December 31, 2002, the number of accounts with balance and the related balances outstanding, based upon the age of the securitized accounts:

Age since origination	Number of accounts	Percentage of accounts	Balances outstanding	Percentage of balances outstanding
		(dollars in thousands)		
0-5 Months	2,016	20.8%	$ 468,529	16.9%
6-11 Months	996	10.3	244,546	8.8
12-17 Months	928	9.6	248,031	8.9
18-23 Months	671	7.0	184,574	6.7
24-35 Months	1,145	11.8	343,635	12.4
36+ Months	3,921	40.5	1,285,823	46.3
Total	9,677	100.0%	$ 2,775,138	100.0%

Liquidity and Capital Resources

Operating Activities. We have historically generated cash flows from operations, although that amount may vary based on fluctuations in working capital and the timing of merchant settlement

activity. Merchant settlement activity is driven by the number of days of float at the end of the period. For these purposes, "float" means the difference between (1) the number of days we hold cash before remitting the cash to our merchants and (2) the number of days the card associations hold cash before remitting the cash to us. As of December 31, 2002, we had one day of float compared to three days at December 31, 2001. Our operating cash flow is seasonal, with cash utilization peaking at the end of December due to increased activity in our Credit Services segment related to holiday retail sales.

	Year ended December 31,		
	2000	2001	2002
	(dollars in thousands)		
Cash provided by operating activities:			
Before change in merchant settlement activity	$ 70,035	$ 113,015	$ 197,149
Net change in merchant settlement activity	17,148	55,240	(69,387)
	$ 87,183	$ 168,255	$ 127,762

Investing Activities. We use a significant portion of our cash flows from operations for acquisitions and capital expenditures. We acquired the following businesses in 2002 for a total of $35.9 million, net of cash acquired, compared to $89.0 million in 2001:

Business	Month Acquired	Segment	Consideration
Loyalty One, Inc.	January 2002	Transaction Services	Cash for Stock
Enlogix Group	August 2002	Transaction Services	Cash for Stock
Targeted Marketing Services	December 2002	Transaction Services	Cash for Assets

In addition, the Credit Services segment utilizes a securitization program, discussed below, and certificates of deposit to finance our private label credit card program. Net securitization activity utilized $98.4 million in 2002 compared to $67.1 million in 2001.

Financing Activities. Our cash flows used in financing activities were $16.0 million in 2002 compared to cash flows provided by financing activities of $32.5 million in 2001. Financing activity in 2002 primarily is attributed to the pay off of $50.0 million of subordinated debt to Limited Brands and Welsh Carson, offset by borrowings under our credit facilities.

Liquidity Sources. In addition to cash generated by operating activities, we have four main sources of liquidity: our securitization program, certificates of deposit issued by World Financial Network National Bank, our credit facilities and issuances of equity securities. We believe that internally generated funds and existing sources of liquidity are sufficient to meet current and anticipated financing requirements during the next 12 months.

Securitization Program and Off-Balance Sheet Transactions. Since January 1996, we have sold substantially all of the credit card receivables owned by our credit card bank, World Financial Network National Bank, to World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust, and sometimes through WFN Credit Company, LLC, as part of our securitization program. This securitization program is the primary vehicle through which we finance our private label credit card receivables. The following table shows expected maturities for borrowing

commitments of World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust under our securitization program by year:

	2003	2004	2007	Total
	(dollars in thousands)			
Public notes	$ 358,750	$ 900,000	$ 600,000	$ 1,858,750
Private conduits	887,861	—	—	887,861
Total	$ 1,246,611	$ 900,000	$ 600,000	$ 2,746,611

As public notes approach maturity, the notes will enter a controlled accumulation period, which typically lasts three months. During the controlled accumulation period, we will either need to arrange an additional private conduit facility or use our own balance sheet to finance the controlled accumulation until such time as we can issue a new public series in the public markets. During November 2002, we completed a $600.0 million offering of asset-backed notes to refinance an existing series of public notes. The new notes issued in November 2002 will mature in November 2007.

A private conduit facility has been put in place to fund the accumulation of the 1996-B notes that will mature in June 2003. In June, we can continue to utilize this conduit as a seasonal source of funding until a new public asset backed transaction can be completed. We intend to issue public notes in 2003 as a replacement for this private conduit as we did in November 2002.

As of December 31, 2002, we had over $2.7 billion of securitized credit card receivables. Securitizations require credit enhancements in the form of cash, spread deposits and additional receivables. The credit enhancement is principally based on the outstanding balances of the private label credit cards in the securitization trust and their related performance. During the period from November to January, we are required to maintain a credit enhancement level of 6% of securitized credit card receivables as compared to 4% to 5% for the remainder of the year. Accordingly, at December 31, we typically have our highest balance of credit enhancement assets. We intend to utilize our securitization program for the foreseeable future.

If World Financial Network National Bank were not able to regularly securitize the receivables it originates, our ability to grow or even maintain our credit services business would be materially impaired. World Financial Network National Bank's ability to effect securitization transactions is impacted by the following factors, some of which are beyond our control:

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

Once World Financial Network National Bank securitizes receivables, the agreement governing the transaction contains covenants that address the receivables' performance and the continued solvency of the retailer where the underlying sales were generated. In the event one of those or other similar covenants is breached, an early amortization event could be declared, in which case the trustee for the securitization trust would retain World Financial Network National Bank's interest in the related receivables, along with the excess interest income that would normally be paid to World Financial Network National Bank, until such time as the securitization investors are fully repaid. The occurrence

of an early amortization event would significantly limit, or even negate, our ability to securitize additional receivables.

Certificates of Deposit. We utilize certificates of deposit to finance the operating activities of our credit card bank subsidiary, World Financial Network National Bank, and to fund securitization enhancement requirements. World Financial Network National Bank issues certificates of deposit in denominations of $100,000 in various maturities ranging between three months and two years and with effective annual fixed rates ranging from 2.0% to 6.1%. As of December 31, 2002, we had $96.2 million of certificates of deposit outstanding. Certificate of deposit borrowings are subject to regulatory capital requirements.

Credit Facilities. On April 10, 2003, we entered into three new credit facilities to replace our prior credit facilities. The first facility provides for a $150.0 million revolving commitment and matures in April 2006. The second facility is a 364-day facility and provides for an additional $150.0 million revolving commitment that matures in April 2004. The third facility provides for a $100.0 million revolving commitment to Loyalty Management Group Canada Inc., a wholly owned Canadian subsidiary, and matures in April 2006. The covenants contained in the three credit facilities are substantially identical.

Advances under the credit facilities are in the form of either base rate loans or eurodollar loans. The interest rate on base rate loans fluctuates based upon the higher of (1) the interest rate announced by the administrative agent as its "prime rate" and (2) the Federal funds rate plus 0.5%, in each case with no additional margin. The interest rate on eurodollar loans fluctuates based upon the rate at which eurodollar deposits in the London interbank market are quoted plus a margin of 1.0% to 1.5% based upon the ratio of total Debt under the credit facilities to Consolidated Operating EBITDA, as each term is defined in the credit facilities. The credit facilities are secured by pledges of stock of certain of our subsidiaries and pledges of certain intercompany promissory notes.

At April 11, 2003, we had borrowings of $205.0 million outstanding under these credit facilities (with an average interest rate of 4.25%), we issued no letters of credit, and we had available unused borrowing capacity of approximately $195.0 million. The credit facilities limit our aggregate outstanding letters of credit to $50.0 million. We can obtain an increase in the total commitment under the credit facilities of up to $50.0 million if we are not in default under the credit facilities, one or more lenders agrees to increase its commitment and the administrative agent consents.

We used the initial advances under the new credit facilities to refinance our prior credit facilities. We utilize our credit facilities and excess cash flows from operations to support our acquisition strategy and to fund working capital and capital expenditures.

Issuances of Equity. On June 13, 2001, we completed our initial public offering, which consisted of the sale of 14,950,000 shares of our common stock at a price to the public of $12.00 per share. After deducting expenses and underwriting discounts and commissions, we received net offering proceeds of approximately $160.8 million. We used proceeds of approximately $90.8 million to repay in full the outstanding balance of a term loan and approximately $500,000 was used to

repurchase a then outstanding warrant for 167,084 shares of our common stock. The remaining net proceeds were used to pay down additional debt and support our securitization program, acquisitions and other working capital requirements. In addition, simultaneously with the closing of our initial public offering in June 2001, we converted all outstanding shares of our Series A cumulative convertible preferred stock into approximately 11,199,340 shares of common stock.

Contractual Obligations. The following table highlights, as of December 31, 2002, our contractual obligations and commitments to make future payments by type and period:

	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
	(dollars in thousands)				
Certificates of deposit	$ 90,000	$ 6,200	$ —	$ —	$ 96,200
Credit facilities	94,500	45,000	—	—	139,500
Subordinated debt(1)	—	—	26,000	26,000	52,000
Operating leases	36,066	44,558	25,241	12,975	118,840
Software licenses	17,390	38,026	38,880	12,426	106,722
Other obligations	2,033	3,153	25	—	5,211
	$ 239,989	$ 136,937	$ 90,146	$ 51,401	$ 518,473

(1) We repaid $50.0 million of subordinated debt during April 2002. We intend to use the net proceeds from this offering plus other available funds to repay in full the remaining balance plus accrued interest on this note.

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

Economic Fluctuations

Although we cannot precisely determine the impact of inflation on our operations, we do not believe that we have been significantly affected by inflation. For the most part, we have 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.

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

Regulatory Matters

World Financial Network National Bank is subject to various regulatory capital requirements administered by the Office of the Comptroller of the Currency. Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a material adverse effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, World Financial Network National Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. World Financial Network National Bank is limited in the amounts that it can dividend to us.

Quantitative measures established by regulations to ensure capital adequacy require World Financial Network National 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, World Financial Network National Bank is considered well capitalized. As of December 31, 2002, World Financial Network National Bank's Tier 1 capital ratio was 19.2%, total capital ratio was 19.7% and leverage ratio was 46.1%, and World Financial Network National Bank was not subject to a capital directive order.

Recent Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections." SFAS 145 eliminates Statement 4 and, thus, the exception to applying Opinion 30 to all gains and losses related to extinguishments of debt (other than extinguishments of debt to satisfy sinking-fund requirements — the exception to application of Statement 4 noted in Statement 64). As a result, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria in Opinion 30. This provision of SFAS 145 is effective for fiscal years beginning after May 15, 2002. We expect to adopt this statement in our 2003 financial statements and accordingly reclassify extraordinary items for the years ended December 31, 2001 and 2002.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 generally requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This pronouncement is effective for exit or disposal activities initiated after December 31, 2002, and is not expected to have a significant impact on us.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123." SFAS 148 amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Management currently does not plan to transition to the fair value method of accounting for employee stock options. Accordingly, management does not believe that portion of SFAS 148 will impact the Company. However, management has provided the required disclosures.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Interpretation No. 45 requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee. This interpretation is applicable on a prospective basis to guarantees issued or modified after December 31, 2002. While we have various guarantees included in contracts in the normal course of business, primarily in the form of indemnities, these guarantees do not represent significant commitments or contingent liabilities of the indebtedness of others.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation No. 46 requires public companies with a variable interest in a variable interest entity to apply this guidance to that entity no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003 and immediately for new interests. This application of

the guidance could result in the consolidation of a variable interest entity. We are evaluating the impact of this interpretation on our financial results.

Market Risk

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

Off-Balance Sheet Risk. We are subject to off-balance sheet risk in the normal course of business, including commitments to extend credit and through our securitization program. We sell substantially all of our credit card receivables to World Financial Network Credit Card Master Trust, a qualifying special purpose entity. The trust enters into interest rate swaps to reduce the interest rate sensitivity of the securitization transactions. The securitization program involves elements of credit, market, interest rate, legal and operational risks in excess of the amount recognized on the balance sheet through our retained interests in the securitization and the interest only strips.

Interest Rate Risk. Interest rate risk affects us directly in our lending and borrowing activities. Our total interest incurred was approximately $133.0 million for 2002, which includes both on- and off-balance sheet transactions. Of this total, $21.2 million of the interest expense for 2002 was attributable to on-balance sheet indebtedness and the remainder to our securitized credit card receivables, which are financed off-balance sheet. To manage our risk from market interest rates, we actively monitor the interest rates and the interest-sensitive components both on- and off-balance sheet to minimize the impact that changes in interest rates have on the fair value of assets, net income and cash flow. To achieve this objective, we manage our exposure to fluctuations in market interest rates by matching asset and liability repricings and through the use of fixed-rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. In addition, we enter into derivative financial instruments such as interest rate swaps and treasury locks to mitigate our interest rate risk on a related financial instrument 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. At December 31, 2002, approximately 3.4% of our outstanding debt was subject to fixed rates with a weighted average interest rate of 6.6% An additional 70.0% of our outstanding debt at December 31, 2002 was locked at an effective interest rate of 5.5% through interest rate swap agreements and treasury locks with notional amounts totaling $1.7 billion.

The approach we use to quantify interest rate risk is a sensitivity analysis which we believe best reflects the risk inherent in our business. This approach calculates the impact on pretax income from an instantaneous and sustained increase in interest rates of 1.0%. Assuming we do not take any counteractive measures, in 2002 a 1.0% increase in interest rates would have resulted in an increase to interest expense of approximately $2.5 million. In 2001, a 1.0% increase in interest rates would have resulted in an increase to interest expense of approximately $4.9 million. Conversely, a corresponding decrease in interest rates would result in a comparable decrease to interest expense. Our use of this methodology to quantify the market risk of financial instruments should not be construed as an endorsement of its accuracy or the accuracy of the related assumptions.

Credit Risk. We are exposed to credit risk relating to the credit card loans we make to our clients' customers. Our credit risk relates to the risk that consumers using the private label credit cards that we issue will not repay their revolving credit card loan balances. We have developed credit risk models designed to identify qualified consumers who fit our risk parameters. To minimize our risk of loan write-offs, we control approval rates of new accounts and related credit limits and follow strict

collection practices. We monitor the buying limits as well as set pricing regarding fees and interest rates charged.

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

Redemption Reward Risk. Through our AIR MILES Reward Program, we are exposed to potentially increasing reward costs associated primarily with travel rewards. To minimize the risk of rising travel reward costs, we:

- have supply agreements with airlines in addition to Air Canada;
- are seeking new supply agreements with additional airlines;
- periodically alter the total mix of rewards available to collectors with the introduction of new merchandise rewards, which are typically lower cost per AIR MILES reward mile than air travel;

- allow collectors to obtain certain travel rewards using a combination of reward miles and cash or cash alone in addition to using AIR MILES reward miles alone; and

- periodically adjust the number of miles required to redeem a reward.

BUSINESS

We are a leading provider of transaction services, credit services and marketing services in North America. We focus on facilitating and managing electronic transactions between our clients and their customers through multiple distribution channels including in-store, catalog and the Internet. Our credit and marketing services assist our clients in identifying and acquiring new customers, as well as helping to increase the loyalty and profitability of their existing customers. We have a client base in excess of 300 companies, consisting mostly of specialty retailers, petroleum retailers, utilities, supermarkets and financial services companies. We generally have long-term relationships with our clients, with contracts typically ranging from three to five years in duration.

We are the result of the 1996 merger of two entities acquired by Welsh Carson Anderson & Stowe: J.C. Penney's transaction services business, BSI Business Services, Inc., and Limited Brands' credit card bank operation, World Financial Network National Bank. In June 2001, we concluded the initial public offering of our common stock, which is listed on the New York Stock Exchange. We continue to execute on our growth strategy through a combination of internal growth and acquisitions.

Since the beginning of 2002, we entered into contracts to provide private label credit card services to Crate and Barrel, Pottery Barn and Pottery Barn Kids, Ann Taylor, Ann Taylor Loft and Ann Taylor Factory Stores, Restoration Hardware, Gordmans Inc., and American Signature Home. In addition, we extended our client relationships through August 2009 with Lerner New York and Limited Brands and its retail affiliates, including The Limited, Victoria's Secret Stores, Victoria's Secret Catalogue, Express, which includes Express Men's and Express Women's, Bath & Body Works and Henri Bendel. Limited Brands, indirectly through Limited Commerce Corp., is one of our largest stockholders and, together with its retail affiliates, is our largest client, representing approximately 18.8% of our 2002 consolidated revenue. In December 2002, we extended our client relationship through January 2013 with Brylane's catalog brands, including Chadwick's of Boston, Lane Bryant Catalog, Roaman's, Brylane Home, Brylane Home Kitchen, Lerner Catalog, King Size, Jessica London and La Redoute.

In 2002, we signed contract extensions or renewals with Amex Bank of Canada, the retail services division of BMO Bank of Montreal, and Canada Safeway, each a significant sponsor of our AIR MILES Reward Program, and initiated new sponsor categories with the addition of Manulife Financial and Northwest Airlines. In January 2002, we acquired Frequency Marketing, Inc., a small marketing services firm that provides resources and technology for the design, implementation and management of loyalty marketing programs. The acquisition added products and services for our loyalty marketing offerings in the United States.

We entered into a master billing services agreement with TXU Energy Retail Company LP, effective as of August 23, 2002, to provide billing services related to TXU's Outage Notification and One Call products. In September 2002, we entered into a new utility services relationship with an affiliate of Duke Energy in connection with our acquisition of Enlogix Group, formerly wholly owned subsidiaries of Duke Energy, which provides customer information system services to utilities in Canada. We extended our utility services relationship for five years with Georgia Natural Gas in December 2002. In March 2003, we purchased the customer care back office operations of American Electric Power related to the Texas marketplace. As part of the transaction, we will provide billing and customer care services to over 800,000 accounts that were recently acquired by a U.S. subsidiary of Centrica plc. We also signed a multi-year extension to continue as Marathon Ashland Petroleum's exclusive provider of network processing and bankcard settlement and a five-year contract extension with ConocoPhillips to continue providing network authorization and capture services for its 12,000 Conoco and Phillips 66 branded locations nationwide and to provide similar services for 5,000 ConocoPhillips 76 branded locations.

Our Market Opportunity and Growth Strategy

Our services are applicable to the full spectrum of commerce opportunities involving companies that sell products and services to individual consumers. We are well positioned to benefit from trends favoring outsourcing and electronic transactions. Many companies, including retailers, petroleum companies and utilities, lack the economies of scale and core competencies necessary to support their own transaction processing infrastructure and credit card and database operations. Companies are also increasingly outsourcing the development and management of their marketing programs. Additionally, the use of card-based forms of payment by consumers in the United States has steadily increased over the past ten years. According to The Nilson Report, consumer expenditures in the United States using card-based systems are expected to grow from 32% of all payments in 2001 to 46% in 2010.

Our growth strategy is to pursue initiatives to capitalize on our market position and core competencies. Key elements of our strategy are:

- *Expanding relationships with our base of over 300 clients by offering them integrated transaction processing and marketing services.* We offer our clients products and services that will help them more effectively understand and service their customers and allow them to build and maintain long-term relationships with their customers. By providing services directly to our clients' customers we are able to become an integral part of our clients' business.

- *Expanding our client base in our existing market sectors.* We will continue focusing on particular markets that are experiencing rapid growth and increasingly utilizing outsourcing, such as transaction and credit services related to our private label programs for retailers, marketing services related to the AIR MILES Reward Program in Canada and transaction services for the utility industry.

- *Continuing to establish long-term relationships with our clients that result in a stable and recurring revenue base.* We seek to maintain a stable and recurring revenue base by building and maintaining long-term relationships with our clients and entering into contracts that typically extend for three to five years. Most of our services require the payment of monthly charges based on the number of transactions we process, allowing us to generate recurring revenues.

- *Pursuing focused, strategic acquisitions and alliances to enhance our core capabilities, increase our scale and expand our range of services.* Since our inception we have grown in part through selective acquisitions. We intend to continue to acquire other companies with complementary products, services or relationships to enhance and expand our offering and increase our market share. We also seek to enter into other strategic relationships that extend our customer reach and generate additional revenue.

Products and Services

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

Transaction Services

We facilitate and manage transactions between our clients and their customers through our scalable processing systems. Our largest clients within this segment include Limited Brands and its retail affiliates, representing approximately 19.8% of this segment's 2002 revenue.

Issuer Services. According to The Nilson Report, based on the number of accounts on file, we were the second largest outsourcer of retail private label card programs in the United States in 2001,

with over 63.6 million accounts on file. We assist clients in issuing private label credit cards branded with the retailers' name or logo that can be used by customers at the clients' store locations. We also provide service and maintenance to our clients' private label card programs and assist our clients in acquiring, retaining and managing valuable repeat customers. Our Transaction Services segment performs issuer services for our Credit Services segment in connection with that segment's private label card programs. The inter-segment services accounted for 45.6% of Transaction Services revenue in 2002.

We have developed a proprietary private label credit card system designed specifically for retailers with the flexibility to make changes to accommodate our clients' specific needs. We have also built into the system marketing tools to assist our clients in increasing sales. We utilize our Quick Credit and On-Line Prescreen products to originate new private label credit card accounts. We believe that these products provide an effective marketing advantage over competing services.

We use automated technology for bill preparation, printing and mailing. Commingling statements, presorting and bar coding allow us to take advantage of postal discounts. In addition, we also process customer payments using image processing technology to maximize efficiency. By doing so, we improve the funds availability for both our clients and for those private label receivables that we own or securitize.

Our customer care operations are influenced by our retail heritage. We focus our training programs in all areas on achieving the highest possible standards. We monitor our performance by conducting surveys with our clients and their customers. Our call centers are equipped to handle phone, mail, fax and Internet inquiries. We also provide collection activities on delinquent accounts to support our retail private label credit card programs.

Utility Services. We believe that we are one of the largest independent service providers of customer information systems for utilities in North America. We provide a comprehensive single source business solution for customer care and billing solutions. We have solutions for both the regulated and de-regulated marketplace. These solutions provide not only hosting of the customer information system, but also customer care and statement generation, focusing on successful acquisition, value enhancement and retention of our clients' customers.

In both a regulated and de-regulated environment, providers will need more sophisticated and complex billing and customer information systems to effectively compete in the marketplace. We believe that our ability to integrate transaction and marketing services effectively will provide a competitive advantage for us.

Our current service offering is based on hosting customer information systems that allow us to provide our core service offerings of call center operation, statement generation and payment processing. In addition, we offer customer acquisition and database marketing services.

Merchant Services. We are a leading provider of transaction processing services, based on transactions processed, with an emphasis on the U.S. petroleum retail industry. Additionally, we have a significant presence in the specialty retail and transportation industries. We have built a network that enables us to process virtually all electronic payment types including credit card, debit card, prepaid card, electronic benefits and fleet and check transactions. In addition to authorization and settlement of transactions, we also provide merchants with on-line, two-way mail messaging between our clients and their individual locations by broadcasting and receiving messages through their terminal devices.

Credit Services

Through our Credit Services segment we are able to finance and operate private label programs more effectively than a typical retailer can operate a stand alone program, as we are able to fund receivables through our securitization program to achieve lower borrowing costs while having the infrastructure to support and leverage a variety of portfolio types and a large number of account holders. Through our subsidiary, World Financial Network National Bank, we underwrite the accounts and fund purchases for 52 private label credit clients, representing over 72 million cardholders and over $2.7 billion of receivables as of December 31, 2002. Our clients are predominately specialty retailers, and the largest within this segment include Limited Brands and its retail affiliates, representing 44.5% of this segment's 2002 revenue, and Brylane, representing 22.4% of this segment's 2002 revenue.

We believe that an effective risk management process is important in both account underwriting and servicing. We use a risk analysis in establishing initial credit limits with cardholders. Because we process a large number of credit applications each year, we use automated proprietary scoring technology and verification procedures to process these applications. Our underwriting process involves the purchase of credit bureau information for each credit applicant. We continuously validate, monitor and maintain the scorecards, and we use the resulting data to ensure optimal risk performance. These models help segment prospects into narrower ranges within each risk score provided by Fair, Isaac and Co., or FICO, allowing us to better evaluate individual credit risk and to tailor our risk-based pricing accordingly. We generally receive a merchant fee for processing sales transactions charged to a private label credit card program for which we provide receivables funding. Processing includes authorization and settlement of the funds to the retailer, net of our merchant discount fee.

We utilize a securitization program as our primary funding vehicle for private label credit card receivables. Securitizations involve the packaging and selling of both current and future receivable balances of credit card accounts to a special purpose entity that then sells them to a master trust. Our Transaction Services segment retains rights to service the securitized accounts. Our securitizations are treated as sales for accounting purposes and, accordingly, the receivable is removed from our balance sheet. We retain an ownership interest in the receivables, which is commonly referred to as a seller's interest, and a residual interest in the trust, which is commonly referred to as an interest only strip. The fair value of the interest only strip is based on assumptions regarding future payments and credit losses and is subject to volatility that could materially affect our operating results. Both the amount and timing of estimated cash flows are dependent on the performance of the underlying credit card receivables, and actual cash flows may vary significantly from expectations. If payments from cardholders or defaults by cardholders exceed our estimates,

we may be required to decrease the carrying value of the interest only strips through a charge against earnings. Limited Brands and its retail affiliates accounted for approximately 32.1% of the receivables in the trust portfolio as of December 31, 2002, and Brylane accounted for approximately 14.7%.

In November 2002, we completed a $600.0 million offering of five-year asset backed notes issued as part of our securitization program for World Financial Network National Bank. The notes were issued through the World Financial Network Credit Card Master Note Trust. The notes are rated AAA through BBB by Standard & Poor's, Moody's and Fitch debt-rating services and are secured by a beneficial interest in a pool of receivables that arise under World Financial Network National Bank's private label credit card accounts.

Marketing Services

Our clients are focused on targeting, acquiring and retaining loyal and profitable customers. We create and manage marketing programs that result in securing more frequent and sustained customer

purchasing. We utilize the information gathered through our loyalty programs to help our clients design and implement effective marketing programs. Our primary service for this segment is the AIR MILES Reward Program, representing the substantial majority of this segment's 2002 revenue. Our clients within this segment are financial services providers, supermarkets, petroleum retailers and specialty retailers. BMO Bank of Montreal, Canada Safeway, Shell Canada and Amex Bank of Canada were the four largest Marketing Services clients in 2002, responsible for approximately 54.0% of our 2002 Marketing Services revenue. BMO Bank of Montreal represented approximately 28.8% of this segment's 2002 revenue.

AIR MILES Reward Program. We operate what we believe to be the largest loyalty program in Canada. The AIR MILES Reward Program enables consumers to earn AIR MILES reward miles as they shop across a range of retailers and other sponsors participating in the AIR MILES Reward Program. The AIR MILES Reward Program has enabled sponsors to use this tool to increase revenues by bringing new customers to the sponsor, retaining existing customers and increasing the amount spent by customers.

We deal with three primary parties in connection with our AIR MILES Reward Program: Sponsors, Collectors and Suppliers.

Sponsors

A sponsor enters into an agreement with us to secure exclusive rights for its particular region and product or service category, to reward customers for changing their shopping behavior and to increase sales from collectors. The program has over 100 brand names represented by sponsors, including BMO Bank of Montreal, Canada Safeway, Amex Bank of Canada, Shell Canada, A&P Canada and Sobeys.

Collectors

Members of the AIR MILES Reward Program, known as collectors, accumulate AIR MILES reward miles based on their purchasing behavior at sponsor locations. The AIR MILES Reward Program offers a reward structure that provides a quick and easy way for collectors to earn a broad selection of travel, entertainment and other lifestyle rewards by shopping at participating sponsors. Using 2000 census data, our active participants represented over 63% of all Canadian households. We have issued over ten billion AIR MILES reward miles since the program's inception in 1992.

Suppliers

We enter into supply agreements with suppliers of rewards to the program such as airlines, movie theaters and manufacturers of consumer electronics. We make these reward opportunities available through Air Canada and over 180 other reward suppliers. We make payments to suppliers based on a contractual supply arrangement when a collector redeems AIR MILES reward miles.

Marketing Services. In the U.S. we have developed marketing capabilities designed to increase loyal, profitable customers for our clients. Our suite of analytical and profiling tools enable our clients to better understand their customers and optimize opportunities for developing loyal and profitable customer relationships.

Safeguards to Our Business Disaster and Contingency Planning

We have a number of safeguards to protect us from the risks we face as a business. Given the significant amount of data that we manage, much of which is real-time data to support our clients'

commerce initiatives, we have established redundant facilities for our data centers. We operate two data processing centers. In the event of a disaster at either of our two data centers, we can restore that data center's systems at a third party provided disaster recovery center.

Protection of Intellectual Property and Other Proprietary Rights

We rely on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect our proprietary information and technology used in each segment of our business. We currently hold one patent. In addition, we have five patent applications with the U.S Patent and Trademark Office, one international application, and one international application that has entered the national phase in two countries. 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 do have applications pending in South American and European countries. Effective protection of intellectual property rights may be unavailable or limited in some countries. The laws of some countries do not protect our proprietary rights to the same extent as in the United States and Canada. We are the exclusive Canadian licensee of the AIR MILES family of trademarks pursuant to a license agreement with Air Miles International Trading B.V. We believe that our trademarks are important for our branding and corporate identification and marketing of our services in each segment.

Competition

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

Transaction Services. We are a leading provider of transaction services. Our focus has been on industry segments characterized by companies with large customer bases, detail-rich data and high transaction volumes. Targeting these specific market sectors allows us to develop and deliver solutions that meet the needs of these sectors. This focus is consistent with our marketing strategy for all products and services. Additionally, we believe we effectively distinguish ourselves from other payment processors by providing solutions that help our clients leverage investments they have made in their payment systems by using these systems for electronic marketing programs. Competition in the area of utility services comes primarily from larger, more well-funded and well-established competitors and from companies developing in-house solutions and capabilities.

Credit Services. Our credit services business 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 been on targeting retailers that understand the competitive advantage of developing loyal customers. Typically these retailers have customers that make more frequent and smaller transactions. This results in the effective capture of detail-rich data within our database marketing services, allowing us to mine and analyze this data to develop successful customer relationship management strategies for our clients. As an issuer of private label credit cards, we compete with other payment methods, primarily general purpose credit cards like Visa, MasterCard and American Express, as well as cash, checks and debit cards.

Marketing Services. As a provider of marketing services, we generally compete with advertising and other promotional and loyalty programs, both traditional and online, for a portion of a client's total marketing budget. In addition, we compete against internally developed products and services created by our existing and potential clients. For each of our marketing services, we expect competition to intensify as more competitors enter our market. In addition, new competitors with our AIR MILES Reward Program may target our sponsors and collectors as well as draw rewards from our rewards suppliers. Our ability to generate significant revenue from clients and loyalty partners will depend on our ability to differentiate ourselves through the products and services we provide and the attractiveness of our loyalty and rewards programs to consumers. The continued attractiveness of our loyalty and rewards programs will depend in large part on our ability to remain affiliated with sponsors that are desirable to consumers and to offer rewards that are both attainable and attractive to consumers. Intensifying competition will make it more difficult for us to do this. For our database marketing services, our ability to continue to capture detailed transaction data on consumers is critical in providing effective customer relationship management strategies for our clients.

Regulation

Federal and state laws and regulations extensively regulate the operations of our credit services bank subsidiary, World Financial Network National Bank. Many of these laws and regulations are intended to maintain the safety and soundness of World Financial Network National Bank, and they impose significant restraints on it to which other non-regulated companies are not subject. Because World Financial Network National Bank is deemed a credit card 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 national bank, World Financial Network National Bank is still subject to overlapping supervision by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

World Financial Network National Bank must maintain minimum amounts of regulatory capital. If World Financial Network National Bank does not meet these capital requirements, the regulators have broad discretion to institute a number of corrective actions that could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulating framework for prompt corrective action, World Financial Network National Bank must meet specific guidelines that involve measures and ratios of its assets, liabilities, regulatory capital, interest rate exposure and certain off-balance sheet items under regulatory accounting standards, among other factors. Under the National Bank Act, if the capital stock of World Financial Network National Bank is impaired by losses or otherwise, we, as the sole shareholder, may be assessed the deficiency. To the extent necessary, if a deficiency in capital still exists, the FDIC may be appointed as a receiver to wind up World Financial Network National Bank's affairs.

Before World Financial Network National Bank can pay dividends to us, it must obtain prior regulatory approval if all dividends declared in any calendar year would exceed its net profits for that year plus its retained net profits for the preceding two calendar years, less any transfers to surplus. In addition, World Financial Network National Bank may only pay dividends to the extent that retained net profits, including the portion transferred to surplus, exceed bad debts. Moreover, to pay any dividend, World Financial Network National Bank must maintain adequate capital above regulatory guidelines. Further, if a regulatory authority believes that World Financial Network National Bank is engaged in or is about to engage in an unsafe or unsound banking practice, which, depending on its financial condition, could include the payment of dividends, the authority may require, after notice and hearing, that World Financial Network National Bank cease and desist from the unsafe practice.

We are limited under Sections 23A and 23B of the Federal Reserve Act in the extent to which we can borrow or otherwise obtain credit from or engage in other "covered transactions" with World Financial Network National Bank, which may have the effect of limiting the extent to which World Financial Network National 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 World Financial Network National Bank only on terms and under circumstances that are substantially the same, or at least as favorable to World Financial Network National Bank, as those prevailing at the time for comparable transactions with nonaffiliated companies. Furthermore, with certain exceptions, each loan or extension of credit by World Financial Network National 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. The Federal Reserve Board has proposed new regulations concerning covered transactions that attempt to clarify and expand the foregoing limitations.

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, IRS rules and other regulations. Due to the tragic events of September 11, 2001, 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 law, the Truth in Lending Act, Equal Credit Opportunity Act and Fair Credit Reporting Act. These laws and regulations mandate various disclosure requirements and regulate the manner in which we may interact with consumers. These and other laws also limit finance charges or other fees or charges earned in our 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 regulations have been implemented in the United States and Canada in recent years. These regulations place many new restrictions on our ability to collect and disseminate customer information.

Under the Gramm Leach Bliley Act, we maintain a comprehensive written information security program that includes administrative, technical and physical safeguards relating to customer information. We also were required to develop an initial privacy notice, and we are required to provide 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 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 addition to the federal privacy laws with which we must comply, states also have adopted statutes, regulations or other measures governing the collection and distribution of personal information about customers. In some cases these state measures are preempted by federal law, but if not, we make efforts to monitor and comply with individual state privacy laws in the conduct of our business.

Canada has likewise enacted privacy legislation known as the Personal Information Protection and Electronic Documents Act. 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. The Province of Quebec has made similar privacy legislation applicable to the private sector in that province since 1994 and other provinces are considering further privacy legislation. We believe we have taken appropriate steps with our AIR MILES Reward Program to comply with the law.

Employees

As of March 31, 2002, we had approximately 6,500 employees in the United States, Canada and New Zealand. We believe our relations with our employees are good. We have no collective bargaining agreements with our employees.

Properties

We have several facilities throughout the United States, Canada, and New Zealand. As of March 31, 2003, we leased over 33 general office properties, comprising over 1.7 million square feet. These facilities are used to carry out our operational, sales and administrative functions. Our principal facilities are as follows:

Location	Segment	Approximate Square Footage	Lease Expiration Date
Dallas, Texas	Corporate, Transaction Services	230,061	October 10, 2010
Dallas, Texas	Corporate	61,750	July 31, 2007
Dallas, Texas	Transaction Services	247,618	July 31, 2009
San Antonio, Texas	Transaction Services	67,540	October 31, 2007
Columbus, Ohio	Credit Services	103,161	January 1, 2008
Westerville, Ohio	Credit Services	100,800	May 31, 2006
Toronto, Ontario, Canada	Marketing Services	137,411	September 16, 2007

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.

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 adverse affect on our business or financial condition, including claims and lawsuits alleging breaches of contractual obligations.

MANAGEMENT

Executive Officers and Directors

The following table sets forth the name, age and positions of each of our directors, executive officers, business unit presidents and other key employees as of the date of this prospectus:

Name	Age	Positions
J. Michael Parks	52	Chairman of the Board of Directors, Chief Executive Officer and President
Bruce K. Anderson	63	Director
Roger H. Ballou.	52	Director
Daniel P. Finkelman	47	Director
Robert A. Minicucci	50	Director
Anthony J. de Nicola	38	Director
Kenneth R. Jensen	59	Director
Bruce A. Soll	45	Director

Ivan M. Szeftel	49	Executive Vice President and President, Retail Credit Services
John W. Scullion	45	President and Chief Executive Officer of The Loyalty Group
Michael A. Beltz	47	Executive Vice President and President, Transaction Services Group
Edward J. Heffernan	40	Executive Vice President and Chief Financial Officer
Dwayne H. Tucker	46	Executive Vice President and Chief Administrative Officer
Alan M. Utay	38	Executive Vice President, General Counsel and Secretary
Robert P. Armiak	41	Senior Vice President and Treasurer
James E. Brown	53	Information Technology Officer
Michael D. Kubic	47	Senior Vice President, Corporate Controller and Chief Accounting Officer
Richard E. Schumacher, Jr.	36	Vice President, Tax

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

Bruce K. Anderson has served as a director since our merger in August 1996. Since March 1979, he has been a partner and co-founder of the investment firm, Welsh, Carson, Anderson & Stowe. Prior to that, he spent nine years with ADP where, as executive vice president and a member of the board of directors, he was active in corporate development and general management. Before joining ADP, Mr. Anderson spent four years in computer marketing with IBM and two years in consulting. Mr.

Anderson is currently a director of Amdocs Limited. He holds a Bachelor's degree from the University of Minnesota.

Roger H. Ballou has served as a director since February 2001. Mr. Ballou is the chief executive officer and a director of CDI Corporation, a public company engaged in providing staffing and outsourcing services, since October 2001. He was a self-employed consultant from October 2000 to October 2001. Before that time, Mr. Ballou had served as chairman and chief executive officer of Global Vacation Group, Inc. from April 1998 to September 2000. Prior to that, he was a senior advisor for Thayer Capital Partners from September 1997 to April 1998. From April 1995 to August 1997, he served as vice chairman and chief marketing officer, then as president and chief operating officer, of Alamo Rent-a-Car, Inc. Mr. Ballou is currently a director of American Medical Security Group, Inc. Mr. Ballou holds a Bachelor's degree from the Wharton School of the University of Pennsylvania and an MBA from the Tuck School of Business at Dartmouth.

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

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

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

Kenneth R. Jensen became a director in February 2001. Mr. Jensen has been executive vice president, chief financial officer, treasurer, assistant secretary and a director of Fiserv, Inc., a public company engaged in data processing outsourcing, since July 1984. He was named senior executive vice president of Fiserv in 1986. Mr. Jensen holds a Bachelor's degree from Princeton University in Economics, an MBA from the University of Chicago in Accounting, Economics and Finance and a Ph.D. from the University of Chicago in Accounting, Economics and Finance.

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

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

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

Michael A. Beltz, executive vice president and president of our Transaction Services Group, joined us in May 1997. From May 1997 to January 2001, he served as executive vice president and then president of business development and planning. Before joining us, he served as executive vice president of sales and acquisitions for First Data Corporation from July 1983 to April 1997. Mr. Beltz holds a Bachelor's degree from the University of Nebraska.

Edward J. Heffernan, executive vice president and chief financial officer, joined us in May 1998. Before joining us, he served as vice president, mergers and acquisitions for First Data Corporation from October 1994 to May 1998. Prior to that he served as vice president, mergers and acquisitions for Citicorp from July 1990

to October 1994, and prior to that he served in corporate finance at Credit Suisse First Boston from June 1986 until July 1990. He holds a Bachelor's degree from Wesleyan University and an MBA from Columbia Business School.

Dwayne H. Tucker, executive vice president and chief administrative officer, joined us in June 1999. He is responsible for human resources, facilities, information technology, corporate communications and corporate marketing. Before joining us, he served as vice president of human resources for Northwest Airlines from February 1998 to February 1999 and as senior vice president of human resources for First Data Corporation from March 1990 to February 1998. Mr. Tucker holds a Bachelor's degree from Tennessee State University.

Alan M. Utay, executive vice president, general counsel and secretary, joined us in September 2001. He is responsible for legal, internal audit and compliance. Before joining us, he served as a partner at Akin, Gump, Strauss, Hauer & Feld, L.L.P., where he practiced law since October 1990. Mr. Utay holds a Bachelor's degree from the University of Texas and a J.D. from the University of Texas, School of Law.

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

James E. Brown, information technology officer, joined us in October 2002. He is responsible for the information technology solutions group. Before joining us, Mr. Brown was with BMSI Holdings/Billing Management Services, Inc., a company he founded that provides telecommunications billing and customer care. From May 1983 through September 1997, he held various positions at First Data Corporation, including senior vice president and chief information officer.

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

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

SELLING STOCKHOLDER

The following table sets forth information regarding Limited Commerce Corp., the selling stockholder in this offering, as it relates to the ownership of our common stock both before and after this offering. The information presented below assumes that the selling stockholder does not buy or otherwise acquire beneficial ownership of any additional shares of our common stock.

Name of Beneficial Owner	Beneficial Ownership Prior to the Offering		Shares to be Sold in the Offering	Beneficial Ownership After the Offering(1)	
	Number	Percent		Number	Percent
Limited Commerce Corp Three Limited Parkway Columbus, Ohio 43230	14,663,376	19.5%	7,000,000	7,663,376	9.9%

(1) In the event that the underwriters' over allotment option is exercised in full, Limited Commerce Corp. will, after giving effect to this offering, own 9.8% of our outstanding common stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions With Welsh, Carson, Anderson & Stowe

Welsh, Carson, Anderson & Stowe VI, L.P., Welsh, Carson, Anderson & Stowe VII, L.P., Welsh, Carson, Anderson & Stowe VIII, L.P., WCAS Capital Partners II, L.P., WCAS Capital Partners III, L.P., WCAS Information Partners, L.P. and various individuals who are limited partners of the Welsh Carson limited partnerships beneficially owned approximately 58.1% of our outstanding common stock as of April 14, 2003. The individual partners of the Welsh Carson limited partnerships include Bruce K. Anderson, Anthony J. de Nicola and Robert A. Minicucci, each of whom is a member of our board of directors.

In July 1999, we sold 120,000 shares of Series A preferred stock to Welsh, Carson, Anderson & Stowe VIII, L.P., WCAS Information Partners, L.P. and 20 individuals who are partners of some or all of the Welsh Carson limited partnerships for an aggregate purchase price of $120.0 million. The preferred shares were issued to finance, in part, the acquisition of the network services business of SPS Payment Systems, Inc. Upon consummation of our initial public offering in June 2001, all of the outstanding shares of Series A preferred stock were converted into shares of common stock.

In July 1998, we sold 10.1 million shares of common stock to Welsh, Carson, Anderson & Stowe VIII, L.P., Welsh, Carson, Anderson & Stowe VII, L.P., WCAS Information Partners, L.P., and 16 individuals who are partners of some or all of the Welsh Carson limited partnerships for an aggregate purchase price of $100.0 million. The shares were issued to finance, in part, the acquisition of all outstanding stock of The Loyalty Management Group Canada Inc.

In August 1998, we sold 30,303 shares of common stock to WCAS Capital Partners II, L.P. for $9.90 per share as consideration for WCAS Capital Partners II, L.P. extending the maturity of a 10% subordinated note we issued to it in January 1996 in the principal amount of $30.0 million and originally due January 24, 2002 to

October 25, 2005. The note was originally issued to finance, in part, the acquisition of BSI Business Services, Inc., now known as ADS Alliance Data Systems, Inc., one of our wholly owned subsidiaries. This note was repaid in full on April 15, 2002.

In September 1998, we issued 655,556 shares of common stock to WCAS Capital Partners III, L.P. and issued a 10% subordinated note to WCAS Capital Partners III, L.P. in the principal amount of

$52.0 million to finance, in part, the acquisition of Harmonic Systems Incorporated, whose operations have been integrated into ADS Alliance Data Systems. Principal on the note is due in two equal installments on September 15, 2007 and September 15, 2008. Interest is payable semi-annually in arrears on each March 15 and September 15. We intend to use the net proceeds from this offering plus other available funds to repay in full the remaining balance plus accrued interest on this note.

We paid Welsh Carson $1.2 million in 1999 for investment banking services rendered in connection with our acquisitions.

Transactions With Limited Brands

Prior to this offering, Limited Commerce Corp. beneficially owned approximately 19.5% of our common stock. Limited Commerce Corp. is indirectly owned by Limited Brands, which, together with its retail affiliates, is our largest customer. Limited Brands operates through a variety of retail and catalog affiliates that operate under different names, including Bath & Body Works, The Limited Stores, Henri Bendel, Victoria's Secret Catalogue, Victoria's Secret Stores, Express Women's and Express Men's. Many of these affiliates have entered into credit card program agreements with World Financial Network National Bank. These affiliates of Limited Brands represented approximately 18.8% of our 2002 consolidated revenue and 32.1% of the receivables in the trust portfolio as of December 31, 2002.

Pursuant to credit card program agreements with those affiliates of Limited Brands, World Financial Network National Bank provides credit card program services and issues private label credit cards on behalf of the businesses. World Financial Network National Bank is obligated to issue credit cards to any customer of a Limited Brands affiliate who applies for a credit card, meets World Financial Network National Bank's credit standards, and agrees to the terms and conditions of World Financial Network National Bank's standard form of credit card agreement. Under these agreements, World Financial Network National Bank pays the business an amount equal to the amount charged by the business's customers using the private label credit card issued by World Financial Network National Bank, less a discount, which varies among agreements. World Financial Network National Bank assumes the credit risk for these credit card transactions. Payments are, at times, also made to World Financial Network National Bank for special programs and reimbursement of certain costs.

Most of these credit card program agreements were entered into in 1996 and would have expired in 2006, but in August 2002, we entered into new agreements that do not expire until August 2009. These agreements give the businesses termination rights under limited circumstances, including the ability to terminate these contracts under certain circumstances if after August 29, 2003 merchant fees exceed certain levels.

In general, World Financial Network National Bank owns information relating to the holders of credit cards issued under these agreements, but World Financial Network National Bank is prohibited from disclosing information about these holders to any third party that Limited Brands determines competes with Limited Brands or its affiliated businesses.

We periodically engage in projects for various retail affiliates of Limited Brands to provide database marketing programs that are generally short-term in nature.

In September 2000, our subsidiary, ADS Alliance Data Systems, Inc., entered into a marketing database services agreement with Limited Brands and Intimate Brands, Inc., now a wholly owned subsidiary of Limited Brands. Under this agreement, we agreed to provide an information database system capable of capturing certain consumer information when a consumer makes a purchase at

Bath & Body Works, The Limited Stores, Express, which includes Express Men's and Express Women's, and Victoria's Secret Stores, and to provide database marketing services. Under the agreement, we have the right to sell data provided to us by affiliates of Limited Brands under the agreement, subject to the privacy policies of Limited Brands and Intimate Brands and their consent. However, we are prohibited from disclosing or selling any of this information to third parties who, in the sole judgment of Limited Brands and Intimate Brands, compete with affiliates or subsidiaries of Limited Brands. We are required to share revenues generated by the sale of such data with Limited Brands and Intimate Brands. This agreement expires in August 2003, subject to certain automatic renewal provisions, but can be terminated earlier by Limited Brands and Intimate Brands if we fail to meet specified service standards. We are currently in discussions with Limited Brands to extend this agreement or enter into a new agreement.

We received total revenues from Limited Brands and its retail affiliates of $46.7 million during 2000, $43.5 million during 2001 and $44.0 million during 2002.

In August 1998, we sold 20,202 shares of common stock to Limited Commerce Corp. for $9.90 per share as consideration for Limited Commerce Corp. extending the maturity of a 10% subordinated note in the principal amount of $20.0 million that we issued in January 1996 to WCAS Capital Partners II, L.P., which in turn sold the note to Limited Commerce Corp. The note was originally issued to finance, in part, the acquisition of BSI Business Services, Inc., now known as ADS Alliance Data Systems, Inc. The note was repaid in full on April 15, 2002.

Stockholders Agreement With Welsh Carson and Limited Brands

Under a stockholders agreement, entered into in June 2001 in connection with our initial public offering, the Welsh Carson affiliates and Limited Commerce Corp. each have two demand registration rights, as well as "piggyback" registration rights. The demand rights enable the Welsh Carson affiliates and Limited Commerce Corp. to require us to register their shares with the SEC at any time. Piggyback rights allow the Welsh Carson affiliates and Limited Commerce Corp. to register the shares of our common stock that they own along with any shares that we register with the SEC. These registration rights are subject to customary conditions and limitations, including the right of the underwriters of an offering to limit the number of shares. Limited Commerce Corp. has exercised one of its demand registration rights in connection with this offering, and Welsh Carson has waived its piggyback rights with respect to this offering.

Under the stockholders agreement, the size of our board of directors is set at nine. Welsh Carson has the right to designate up to three nominees for election to the board of directors as long as it owns more than 20% of our common stock. Limited Commerce Corp. has the right to designate up to two of the nominees for election to the board of directors as long as it owns more than 10% of our common stock and one of the nominees as long as it owns between 5% and 10% of our common stock. In connection with this offering, we have agreed with Limited Commerce Corp. and Welsh Carson to amend the stockholders agreement effective upon closing of this

offering to provide that Limited Commerce Corp. has the right to designate up to two nominees for election to our board of directors as long as it continues to own at least 9% of our common stock and one of the nominees for election to the board of directors as long as it owns between 5% and 9% of our common stock.

Two of our current directors were designated by Limited Commerce Corp. and elected by our stockholders, with their terms set to expire in 2004 and 2005. Upon the completion of this offering, assuming all the shares Limited Commerce Corp. is offering are sold, it will beneficially own 9.9% of our common stock, or 9.8% if the underwriters exercise their over-allotment option in full. Limited Commerce Corp. will continue to have the right to designate two nominees for election to our board of

directors as long as it continues to own at least 9% of our common stock. Mr. Soll and Mr. Finkelman are the current designees of Limited Commerce Corp., whose terms expire in 2004 and 2005, respectively. Upon completion of this offering, assuming all the shares offered by us are sold, Welsh Carson will beneficially own 56.6% of our common stock, or 55.7% if the underwriters exercise their over-allotment option in full. Mr. Anderson, Mr. de Nicola and Mr. Minicucci are the current designees of Welsh Carson, whose terms expire in 2005, 2004 and 2003, respectively.

U.S. Loyalty Program

During 2000, we evaluated the creation of a loyalty program in the United States similar to our AIR MILES Reward Program in Canada. Because of the significant funding requirements to establish such a program, we decided not to pursue the program. Instead, our stockholders in place prior to our initial public offering independently funded the program through a separate company called U.S. Loyalty Corp. We did not have an ownership interest in, or profit-sharing rights with respect to, U.S. Loyalty Corp. During 2001 and 2002 we provided various services to U.S. Loyalty Corp., including management support, accounting, and marketing services for which we collected fees of $1.9 million and $0.7 million, respectively. In the first quarter of 2002, U.S. Loyalty Corp. decided to discontinue its development of the program and U.S. Loyalty Corp. was subsequently dissolved.

Loans to Executive Officers

In the first quarter of 2001 and 2002, we extended loans to our executive officers to assist them in paying income taxes resulting from the vesting in those years of performance based restricted stock grants. These loans accrue interest at a rate of 4.96% and 4.43%, respectively, mature on February 28, 2006, and are secured by a pledge of the associated restricted stock. The executive officers that have borrowed at least $60,000 are:

	Balance as of December 31, 2002
J. Michael Parks	$ 402,108
Ivan M. Szeftel	$ 79,316
Edward J. Heffernan	$ 119,201
Michael A. Beltz	$ 119,201
Dwayne H. Tucker	$ 119,201

In addition, in the second quarter of 2001 and the first quarter of 2002, we extended loans to John W. Scullion that mature on March 9, 2006 and bear interest at a rate that fluctuates with a prescribed rate under the Canadian Income Tax Act. As of December 31, 2002, the effective interest rate under Mr. Scullion's loan was 3.0% and the aggregate balance outstanding was $103,187. In accordance with the provisions of the recently-enacted Sarbanes-Oxley Act of 2002, we will no longer make or arrange for loans to our executive officers or directors.

UNDERWRITING

Subject to the terms and conditions of an underwriting agreement, dated , 2003, the underwriters named below, acting through their representatives, Bear, Stearns & Co. Inc., Credit Suisse First Boston LLC, J.P. Morgan Securities Inc., Adams, Harkness & Hill, Inc., CIBC World Markets Corp. and Lehman Brothers Inc., have severally agreed with us and the selling stockholder, subject to the terms and conditions contained in the underwriting agreement, to purchase from us and the selling stockholder the number of shares of common stock set forth below opposite their respective names.

Underwriter	Number of Shares
Bear, Stearns & Co. Inc.	
Credit Suisse First Boston LLC	
J.P. Morgan Securities Inc.	
Adams, Harkness & Hill, Inc.	
CIBC World Markets Corp.	
Lehman Brothers Inc.	
Total	9,000,000

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

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

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

We have granted the underwriters an option, which may be exercised within 30 days after the date of this prospectus, to purchase up to an aggregate of 1,350,000 additional shares of common stock from us, to cover over-allotments, if any, at the initial public offering price less the underwriting discount, each as set forth on the cover page of this prospectus. If the underwriters exercise this option in whole or in part, each of the underwriters will be severally committed, subject to certain conditions, to purchase these additional shares of common stock in proportion to their respective purchase commitments as indicated in the preceding table, and we will be obligated to sell these additional

shares to the underwriters. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the shares of common stock offered by this prospectus. These additional shares will be sold by the underwriters on the same terms as those on which the shares offered by this prospectus are being sold.

The following table summarizes the compensation to be paid to the underwriters by us and the selling stockholder in connection with this offering.

		Total	
	Per Share	**Without Over-allotment**	**With Over-allotment**
Underwriting discounts and commissions payable by us	$	$	$
Underwriting discounts and commissions payable by the selling stockholder	$	$	$

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately $500,000.

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

We, Limited Commerce Corp., the affiliated entities of Welsh Carson that own shares of our common stock and each of our directors and executive officers have agreed not to sell or offer to sell or otherwise dispose of any shares of our common stock, subject to certain customary exceptions, for a period of 180 days after the date of this prospectus, without the prior written consent of Bear, Stearns & Co. Inc.

Our common stock is listed on the New York Stock Exchange under the symbol "ADS."

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum price.
- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position

can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format will be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage

account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

Other than in the United States and certain provinces of Canada, no action has been taken by us, the selling stockholder or the underwriters that would permit a public offering of the shares of common stock offered by this prospectus in any jurisdiction where action for that purpose is required. The shares of common stock offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such shares of common stock be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any shares of common stock offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

The representatives and their affiliates from time to time perform investment banking and other financial services for us and our affiliates and for the selling stockholder for which they have received advisory or transaction fees, as applicable, plus out-of-pocket expenses, of the nature and in amounts customary in the industry for these financial services.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we and the selling stockholder prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities

regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

Representations of Purchasers

By purchasing common stock in Canada and accepting a purchase confirmation a purchaser is representing to us, the selling stockholder and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws;
- where required by law, that the purchaser is purchasing as principal and not as agent; and
- the purchaser has reviewed the text above under Resale Restrictions.

Rights of Action — Ontario Purchasers Only

Under Ontario securities legislation, a purchaser who purchases a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the shares, for rescission against us and the selling stockholder in the event that this prospectus contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the shares. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the shares. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us or the selling stockholder. In no case will the amount recoverable in any action exceed the price at which the shares were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we and the selling stockholder will have no liability. In the case of an action for damages, we and the selling stockholder will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the shares as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein and the selling stockholder may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

LEGAL MATTERS

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

EXPERTS

The consolidated financial statements and the related financial statement schedule incorporated in this prospectus by reference from our Annual Report on Form 10-K for the year ended December 31, 2002, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the change in accounting for derivative instruments and hedging activities and the change in accounting for goodwill and other intangible assets), and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file proxy statements and annual, quarterly and special reports with the SEC. You may read and copy any document that we file at the SEC's public reference room in Washington, D.C. located at 450 Fifth Street N.W., Washington, D.C. 20549. You may also call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The SEC maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. Our SEC filings are also available to you free of charge at the SEC's web site at *www.sec.gov*. We also provide access to these reports on our web site, *www.alliancedatasystems.com*.

This prospectus is part of a registration statement on Form S-3 we have filed with the SEC under the Securities Act of 1933. The SEC allows us to "incorporate by reference" the information contained in documents that we file with them, which means that we can disclose important information to you by referring you to those documents. Statements contained or incorporated by reference in this prospectus as to the contents of any contract or other documents are not complete, and in each instance we refer you to the contents of the contract or document filed with the SEC as an exhibit to the registration statement. The information incorporated by reference is considered to be part of this prospectus. Information in this prospectus supersedes information incorporated by reference that we filed with the SEC prior to the date of this prospectus, while information that we file later with the SEC will automatically update and supersede prior information.

We incorporate by reference the documents listed below and any future filings we make with the SEC following the date we file with the SEC the Registration Statement on Form S-3, of which this prospectus forms a part, and prior to termination of this offering under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934:

(1) Our Annual Report on Form 10-K for the year ended December 31, 2002, filed with the SEC on March 12, 2003;

(2) The following Current Reports on Form 8-K filed since December 31, 2002;

- Our Current Report on Form 8-K, dated January 29, 2003, filed with the SEC on January 30, 2003; and
- Our Current Report on Form 8-K, dated March 10, 2003, filed with the SEC on March 11, 2003; and

(3) The description of our common stock contained in our registration statement on Form 8-A12B, filed with the SEC under Section 12 of the Securities Exchange Act of 1934 on March 15, 2000, as amended in our registration statement on Form 8-A12B/A filed with the SEC on June 1, 2001.

You may request a copy of these filings, at no cost, by writing or telephoning us at:

Alliance Data Systems Corporation
Attention: Legal Department
17655 Waterview Parkway
Dallas, Texas 75252
Telephone: (972) 348-5100

Prospective investors may rely only on the information contained in this prospectus. Neither Alliance Data Systems Corporation nor any underwriter has authorized anyone to provide prospective investors with different or additional information. This prospectus is not an offer to sell nor is it seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is correct only as of the date of this prospectus, regardless of the time of the delivery of this prospectus or any sale of these securities.

No action is being taken in any jurisdiction outside the United States and certain provinces of Canada to permit a public offering of the common stock or possession or distribution of this prospectus in any of these jurisdictions. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe the restrictions of that jurisdiction related to this offering and the distribution of this prospectus.

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ALLIANCE
DATA SYSTEMS®

9,000,000 Shares

Common Stock

PROSPECTUS

Bear, Stearns & Co. Inc.
Credit Suisse First Boston
JPMorgan

Adams, Harkness & Hill, Inc.
CIBC World Markets
Lehman Brothers

, 2003

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14 — Other expenses of issuance and distribution

The estimated expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions, are set forth in the following table. The Company will pay all expenses of issuance and distribution. Each amount, except for the SEC, NASD and New York Stock Exchange fees, is estimated.

SEC registration fees	$ 14,500
NASD filing fees	18,000
New York Stock Exchange additional listing fee	12,000
Transfer agent's and registrar's fees and expenses	20,000
Printing and engraving expenses	125,000
Legal fees and expenses	150,000
Accounting fees and expenses	125,000
Blue sky fees and expenses	5,000
Miscellaneous	30,500
Total	$ 500,000

ITEM 15 — Indemnification of directors and officers

Alliance Data Systems Corporation's Certificate of Incorporation provides that it shall, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, indemnify all persons whom it may indemnify under Delaware law.

Section 145 of the Delaware General Corporation Law permits a corporation, under specified circumstances, to indemnify its directors, officers, employees or agents against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by them in connection with any action, suit or proceeding brought by third parties by reason of the fact that they were or are directors, officers, employees or agents of the corporation, if such directors, officers, employees or agents acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reason to believe their conduct was unlawful. In a derivative action, i.e., one by or in the right of the corporation, indemnification may be made only for expenses actually and reasonably incurred by directors, officers, employees or agents in connection with the defense or settlement of an action or suit, and only with respect to a matter as to which they shall have acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made if such person shall have been adjudged liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that the defendant directors, officers, employees or agents are fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability.

Alliance Data Systems Corporation's Bylaws provide for indemnification by it of its directors, officers and certain non-officer employees under certain circumstances against expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) reasonably incurred in connection with the defense or settlement of any threatened, pending or completed legal proceeding in which any

such person is involved by reason of the fact that such person is or was an officer or employee of Alliance Data Systems Corporation if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of Alliance Data Systems Corporation, and, with respect to criminal actions or proceedings, if such person had no reasonable cause to believe his or her conduct was unlawful. Alliance Data Systems Corporation's Certificate of Incorporation also provides that, to the fullest extent permitted by the Delaware General Corporation Law, no director shall be personally liable to Alliance Data Systems Corporation or its stockholders for monetary damages resulting from breaches of their fiduciary duty as directors.

Expenses for the defense of any action for which indemnification may be available may be advanced by Alliance Data Systems Corporation under certain circumstances. The general effect of the foregoing provisions may be to reduce the circumstances which an officer or director may be required to bear the economic burden of the foregoing liabilities and expenses. Directors and officers will be covered by liability insurance indemnifying them against damages arising out of certain kinds of claims which might be made against them based on their negligent acts or omissions while acting in their capacity as such.

ITEM 16 — Exhibits

The following exhibits are filed as part of this Registration Statement:

Exhibit No.	Description
**1	Form of Underwriting Agreement.
2	Purchase and Sale Agreement, dated September 5, 2002, among ADS Alliance Data Systems, Inc., Loyalty Management Group Canada, Inc. and Westcoast Energy Inc. carrying on business as Duke Energy Gas Transmission (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on September 10, 2002).
4	Specimen Certificate for shares of Common Stock of the Registrant (incorporated by reference to Exhibit No. 4 to our Registration Statement on Form S-1 filed with the SEC on March 3, 2000, File No. 333-94623).
*5.1	Opinion of Akin, Gump, Strauss, Hauer & Feld, L.L.P.
**10.1	First Amendment, dated as of April 9, 2003, to Stockholders Agreement, dated as of June 12, 2001, among Alliance Data Systems Corporation, Limited Commerce Corp., Welsh, Carson, Anderson, and Stowe VI, L.P., Welsh, Carson, Anderson & Stowe VII, L.P., Welsh, Carson, Anderson & Stowe VIII, L.P., WCAS Information Partners, L.P., WCAS Capital Partners II, L.P., and WCAS Capital Partners III, L.P.
**10.2	Credit Agreement (3-Year), dated as of April 10, 2003, by and among Alliance Data Systems Corporation, the guarantors from time to time party thereto, the lenders from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent.
**10.3	Credit Agreement (364-Day), dated as of April 10, 2003, by and among Alliance Data Systems Corporation, the guarantors from time to time party thereto, the lenders from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent.
**10.4	Credit Agreement (Canadian), dated as of April 10, 2003, by and among Loyalty Management Group Canada Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent.
**23.1	Consent of Deloitte & Touche LLP.
*23.2	Consent of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (included in Exhibit 5.1).
*24	Power of Attorney.

* Previously filed.

** Filed herewith.

ITEM 17 — Undertakings

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report

pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and duly caused this Registration Statement on Form S-3 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, State of Texas, on April 15, 2003.

ALLIANCE DATA SYSTEMS CORPORATION

By: /s/ J. MICHAEL PARKS

J. Michael Parks
Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the listed capacities on April 15, 2003:

Name	Title
/s/ J. MICHAEL PARKS J. Michael Parks	Chairman of the Board, Chief Executive Officer and President (principal executive officer)
/s/ EDWARD J. HEFFERNAN Edward J. Heffernan	Executive Vice President and Chief Financial Officer (principal financial officer)
/s/ MICHAEL D. KUBIC Michael D. Kubic	Senior Vice President, Corporate Controller and Chief Accounting Officer (principal accounting officer)
* Bruce K. Anderson	Director
* Roger H. Ballou	Director
* Anthony J. de Nicola	Director
* Daniel P. Finkelman	Director

*	
Kenneth R. Jensen	Director
*	
Robert A. Minicucci	Director
*	
Bruce A. Soll	Director

*By: /s/ J. MICHAEL PARKS

J. Michael Parks
Attorney-in-Fact

Exhibit 1

9,000,000 Shares of Common Stock

ALLIANCE DATA SYSTEMS CORPORATION

UNDERWRITING AGREEMENT

April , 2003

BEAR, STEARNS & CO. INC.
CREDIT SUISSE FIRST BOSTON LLC
J.P. MORGAN SECURITIES INC.
ADAMS, HARKNESS & HILL, INC.
CIBC WORLD MARKETS CORP.
LEHMAN BROTHERS INC.
as Representatives of the
several Underwriters named in
Schedule I attached hereto
c/o Bear, Stearns & Co. Inc.
383 Madison Avenue
New York, New York 10179

Dear Sirs:

Alliance Data Systems Corporation, a corporation organized and existing under the laws of the State of Delaware (the "***Company***"), proposes, subject to the terms and conditions stated herein, to issue and sell to the several underwriters named in Schedule I hereto (the "***Underwriters***") an aggregate of 2,000,000 shares (the "***Company Firm Shares***") of its common stock, par value $0.01 per share (the "***Common Stock***"), and Limited Commerce Corp., a Delaware corporation (the "***Selling Stockholder***"), proposes, subject to the terms and conditions stated herein, to sell to the Underwriters an aggregate of 7,000,000 shares of Common Stock (the "***Selling Stockholder Shares***" and, collectively, with the Company Firm Shares, the "***Firm Shares***"). For the sole purpose of covering over-allotments in connection with the sale of the Firm Shares, at the option of the Underwriters, the Company also proposes to issue and sell to the Underwriters up to an additional 1,350,000 shares of Common Stock (the "***Additional Shares***"). The Firm Shares and any Additional Shares purchased by the Underwriters are referred to herein as the "***Shares***". The Shares are more fully described in the Registration Statement referred to below.

1. ***Representations and Warranties of the Company.*** The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "***Commission***") a registration statement, and has filed amendments thereto, on Form S-3 (No. 333-104314), for the registration of the Shares under the Securities Act of 1933, as amended (the "***Act***"). The registration statement, as amended at the time it became effective, including the exhibits thereto and (i) the information incorporated by reference into the prospectus contained in the latest Registration Statement at the time of effectiveness and (ii) any information deemed to be a part thereof as of the time of effectiveness pursuant to paragraph (b) of Rule 430A or Rule 434 of the rules and regulations of the Commission (the "***Regulations***") under the Act, is herein called the "***Registration Statement.***" If the Company has filed or is required pursuant to the terms hereof to file a registration statement pursuant to Rule 462(b) under the Act registering additional shares of Common Stock (a "***Rule 462(b) Registration Statement***"), then, unless otherwise specified, any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462(b) Registration Statement. Other than a Rule 462(b) Registration Statement, which, if filed, becomes effective upon filing, no other document with respect to the Registration Statement

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has heretofore been filed with the Commission. The Company, if required by the Regulations or by the Act, proposes to file the Prospectus with the Commission pursuant to Rule 424(b) under the Act ("***Rule 424(b)***"). The prospectus, in the form in which it is to be filed with the Commission pursuant to Rule 424(b), or, if the prospectus is not to be filed with the Commission pursuant to Rule 424(b), the prospectus in the form included as part of the Registration Statement at the time the Registration Statement became effective, is hereinafter referred to as the "***Prospectus***," except that if any revised prospectus or prospectus supplement shall be provided to the Underwriters by the Company for use in connection with the offering and sale of the Shares (the "***Offering***") which differs from the Prospectus (whether or not such revised prospectus or prospectus supplement is required to be filed by the Company pursuant to Rule 424(b)), the term "Prospectus" shall refer to such revised prospectus or prospectus supplement, as the case may be, from and after the time it is first provided to the Underwriters for such use. Any preliminary prospectus or prospectus subject to completion included in the Registration Statement or filed with the Commission pursuant to Rule 424 under the Act is hereafter called a "***preliminary prospectus***." Any reference herein to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 which were filed under the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), on or before the effective date of the Registration Statement, the date of such preliminary prospectus or the date of the Prospectus, as the case may be, and any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to refer to and include (A) the filing of any document under the Exchange Act after the effective date of the Registration Statement, the date of such preliminary prospectus or the date of the Prospectus, as the case may be, which is incorporated therein by reference and (B) any such document so filed.

(b) At the time of the effectiveness of the Registration Statement or any 462(b) Registration Statement or the effectiveness of any post-effective amendment to the Registration Statement, when the Prospectus is first filed with the Commission pursuant to Rule 424(b) or Rule 434 of the Regulations, when any supplement to or amendment of the Prospectus is filed with the Commission, when any document filed under the Exchange Act is filed and at the Closing Date and the Additional Closing Date, if any (as hereinafter respectively defined), the Registration Statement, any 462(b) Registration Statement and the Prospectus and any amendments thereof and supplements thereto complied or will comply in all material respects with the applicable provisions of the Act, the Exchange Act and the Regulations and do not or will not contain an untrue statement of a material fact and do not or will not omit to state any material fact required to be stated therein or necessary in order to make the statements therein (i) in the case of the Registration Statement, not misleading and (ii) in the case of the Prospectus or any related preliminary prospectus, in light of the circumstances under which they were made, not misleading. When any related preliminary prospectus was first filed with the Commission (whether filed as part of the registration statement for the registration of the Shares or any amendment thereto or pursuant to Rule 424(a) of the Regulations) and when any amendment thereof or supplement thereto was first filed with the Commission, such preliminary prospectus and any amendments thereof and supplements thereto complied in all material respects with the applicable provisions of the Act and the Regulations and did not contain an untrue statement of a material fact and did not omit to state any material fact required to be stated therein or necessary in

order to make the statements therein in light of the circumstances under which they were made not misleading. No representation and warranty is made in this subsection (b), however, with respect to any information contained in or omitted from the Registration Statement or the Prospectus or any related preliminary prospectus or any amendment thereof or supplement thereto in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of (i) any Underwriter through you as herein stated expressly for use in connection with the preparation

thereof or (ii) the Selling Stockholder expressly for use therein. If Rule 434 is used, the Company will comply with the requirements of Rule 434.

(c) Deloitte & Touche LLP, who have audited the annual financial statements and supporting schedules incorporated by reference in the Registration Statement, are independent public accountants as required by the Act and the Regulations.

(d) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as disclosed or specifically contemplated therein, there has been no material adverse change or any development involving a prospective material adverse change in the business, properties, operations, condition (financial or other) or results of operations of the Company and its subsidiaries taken as a whole, whether or not arising from transactions in the ordinary course of business (a "***Material Adverse Effect***"), and since the date of the latest balance sheet presented in the Registration Statement and the Prospectus, neither the Company nor any of its subsidiaries has incurred or undertaken any liabilities or obligations, direct or contingent, which are material to the Company and its subsidiaries taken as a whole, except for liabilities or obligations which are reflected in the Registration Statement and the Prospectus.

(e) The Company has the requisite corporate power to enter into and perform its obligations under this Agreement. This Agreement and the transactions contemplated herein have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by you and the Selling Stockholder, constitutes the valid and binding agreement of the Company, enforceable against it in accordance with its terms, subject to any bankruptcy or other law affecting the enforcement of creditors rights generally and any general principles of equity.

(f) The execution and delivery of this Agreement by the Company and the performance of this Agreement by the Company and the consummation of the transactions contemplated hereby will not (i) conflict with or result in a breach of any of the terms and provisions of, or constitute a default (or an event which with notice or lapse of time, or both, would constitute a default) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any indenture, mortgage, deed of trust, agreement, instrument, franchise, license or permit to which the Company or any of its subsidiaries is a party or by which any of such corporations or their respective properties or assets may be bound and which is material to the business of the Company and its subsidiaries, taken as a whole, or (ii) violate or conflict with any provision of the certificate of incorporation, bylaws or other organizational documents of the Company or any of its subsidiaries or any judgment, decree, order, statute, rule or regulation of any court or any public, governmental or regulatory agency or body having jurisdiction over the Company or any of its subsidiaries or any of their respective properties, assets or businesses. No consent, approval, authorization, order, registration, filing, qualification, license or permit of or with any court or any public, governmental or regulatory agency or body having jurisdiction over the Company or any of its subsidiaries or any of their respective properties, assets or businesses is required for the execution, delivery and performance of this Agreement by the Company or the consummation of the transactions contemplated hereby, including the issuance, sale and delivery of the Shares to be issued, sold and delivered by the Company hereunder, except (A) the registration under the Act of the Shares, (B) such consents, approvals, authorizations, orders, registrations, filings, qualifications, licenses and permits as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and (C) those which have been duly obtained at or prior to the Closing Date.

(g) None of the Company or its subsidiaries is in violation or default of any provision of its certificate of incorporation or bylaws, or other organizational documents, and is not in breach of or default with respect to any provision of any agreement, judgment, decree, order, mortgage, deed of trust, lease, franchise, license, indenture, permit or other instrument to which it is a party or by which it or any of its properties are bound except as would not reasonably be expected to result in a Material Adverse Effect; and there does not exist any state of facts which constitutes an event of default on the part of the Company or its subsidiaries nor, to the Company's knowledge, any other party as defined in such documents or which, with notice or lapse of time or both, would constitute such an event of default except as would not reasonably be expected to result in a Material Adverse Effect.

(h) The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus in the column entitled "Actual" under the caption "Capitalization" and, after giving effect to the Offering and the other transactions contemplated by this Agreement, the Registration Statement and the Prospectus, will be as set forth in the column entitled "Pro Forma As Adjusted" under the caption "Capitalization", except for any immaterial changes resulting from the issuance of Common Stock pursuant to employee benefit plans, stock option plans or other employee compensation plans existing on the date hereof. All of the outstanding shares of Common Stock are duly authorized and validly issued, fully paid and nonassessable, were issued in compliance with federal and state securities laws and the Delaware General Corporation Law and were not issued and are not now in violation of or subject to any preemptive rights. The Shares have been duly authorized for issuance and sale to the Underwriters and, when issued (in the case of the Company Firm Shares and any Additional Shares), delivered and paid for in accordance with this Agreement, will be or are, as the case may be, validly issued, fully paid and nonassessable, and will not have been or have not been, as the case may be, issued in violation of or be subject to any preemptive rights. The Common Stock conforms, and when issued (in the case of the Company Firm Shares and any Additional Shares), delivered and paid for in accordance with this Agreement, the Firm Shares and the Additional Shares will conform, to the descriptions thereof contained in the Registration Statement and the Prospectus. Except as disclosed in or specifically contemplated by the Prospectus, the Company has no outstanding options to purchase, or any preemptive rights or other rights to subscribe for or to purchase, any securities or obligations convertible into, or any contracts or commitments to issue or sell, shares of its capital stock or any such options, rights, convertible securities or obligations. The description of the Company's stock option and other stock plans or arrangements, and the options or other rights granted and exercised thereunder, set forth in the Prospectus accurately and fairly presents in all material respects the information required to be shown with respect to such plans, arrangements, options and rights. No further approval or authority of the stockholders or the Board of Directors of the Company will be required for the issuance and sale of the Shares to be sold by the Company to the Underwriters as contemplated herein.

(i) Each of the Company and its subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation. Each of the Company and its subsidiaries is duly qualified and in good standing as a foreign corporation in each jurisdiction in which the character or location of its properties (owned, leased or licensed) or the nature or conduct of its business makes such qualification necessary, except for those failures to be so qualified or in good standing which will not in the aggregate have a Material Adverse Effect. Each of the Company and its subsidiaries has all requisite corporate power and authority, and all necessary consents, approvals, authorizations, orders, registrations, qualifications, licenses and permits of

and from all public, regulatory or governmental agencies and bodies, to own, lease and operate its properties and conduct its business as now being conducted and as described in the Registration Statement and the Prospectus, and no such consent, approval, authorization, order, registration, qualification, license or permit contains a materially burdensome

restriction not disclosed as required by the Act or the Regulations in the Registration Statement and the Prospectus; and, to the knowledge of the Company, the Company has not received any notice of a proceeding instituted in any jurisdiction revoking, limiting or curtailing, or seeking to revoke, limit or curtail, such power and authority or qualification which, either singly or in the aggregate, could have a Material Adverse Effect. Other than its ownership of all of the outstanding capital stock or other equity interests of each of the entities set forth on Schedule II hereto, the Company does not own or control, either directly or indirectly, any corporation, partnership, limited liability company, association or other entity. All of the issued shares of capital stock of each of the entities listed on Schedule II hereto have been duly authorized and validly issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equitable claims or other adverse claims, except for liens under the Company's (1) Credit Agreement (3-Year), dated as of April 10, 2003, by and among the Company, the guarantors from time to time party thereto, the lenders from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent, (2) Credit Agreement (364-Day), dated as of April 10, 2003, by and among the Company, the guarantors from time to time party thereto, the lenders from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent, and (3) Credit Agreement (Canadian), dated as of April 10, 2003, by and among Loyalty Management Group Canada Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent.

(j) Except as described in the Prospectus, there is no litigation or governmental proceeding to which the Company or any of its subsidiaries is a party or to which any property of the Company or any of its subsidiaries is subject or which is pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries which might result in a Material Adverse Effect or which is required to be disclosed in the Registration Statement and the Prospectus. There are no statutes or regulations that are required to be described in the Registration Statement or Prospectus that are not described as required by the Act or the Regulations. There are no contracts or other documents required to be described in the Registration Statement or to be filed as exhibits to the Registration Statement (or to the documents incorporated by reference therein) which have not been described or filed as required by the Act or the Regulations.

(k) The Company has not taken and will not take, directly or indirectly through any of its affiliates (within the meaning of Rule 144 under the Act) or otherwise, any action designed to cause or result in, or which constitutes or which might reasonably be expected to constitute, the stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of the Shares.

(l) The consolidated financial statements, including the notes thereto, and supporting schedules included or incorporated by reference in the Registration Statement and the Prospectus present fairly the consolidated financial position of the Company and its subsidiaries as of the dates indicated and the results of their operations, stockholders' equity and cash flows for the periods specified in conformity with accounting principles generally accepted in the United States ("***GAAP***"); said financial statements have been prepared in conformity with GAAP applied on a consistent basis throughout the periods involved; and the supporting schedules included in the Registration Statement, if any, present fairly in accordance with GAAP the information required to be stated therein. Except as incorporated by reference in the Registration Statement, no other financial statements or schedules are required by Form S-3 to be included in the Registration Statement.

(m) Except as described in the Prospectus, no holder of securities of the Company has any rights to the registration of securities of the Company because of the filing of the Registration

Statement or otherwise in connection with the sale of the Shares contemplated hereby. All holders of any such rights to the registration of securities of the Company have duly and validly waived all such rights in writing prior to the date hereof.

(n) None of the Company or any of its subsidiaries is, and upon consummation of the transactions contemplated hereby and at all times up to and including the application of net proceeds as described in the Prospectus none of such entities will be, subject to registration as an "investment company" under the Investment Company Act of 1940, as amended.

(o) The Company and its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(p) Each of the Company and its subsidiaries has good and marketable title to all the properties and assets reflected as owned by them in the financial statements hereinabove described (or elsewhere in the Registration Statement or Prospectus), subject to no lien, mortgage, pledge, charge or encumbrance of any kind except (i) those, if any, reflected in such financial statements (or elsewhere in the Registration Statement or the Prospectus) or (ii) those which would not, singly or in the aggregate, have a Material Adverse Effect. Each of the Company and its subsidiaries holds its leased properties under valid and binding leases, with such exceptions as would not have a Material Adverse Effect. Except as disclosed in the Prospectus, the Company and its subsidiaries own or lease all such properties as are necessary to their operations as now conducted or as proposed to be conducted.

(q) Since the respective dates as of which information is given in the Registration Statement and Prospectus, except as disclosed or specifically contemplated therein, (i) neither the Company nor any of its subsidiaries has entered into any material agreement or other transaction which is not in the ordinary course of business; (ii) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock; (iii) neither the Company nor any of its subsidiaries has sustained any material loss or interference with its business or properties from fire, flood, windstorm, accident or other calamity, whether or not covered by insurance; (iv) neither the Company nor any of its subsidiaries is in default in the payment of principal or interest on any outstanding debt obligations; and (v) there has not been any change in the capital stock (other than upon the exercise of options or warrants described in the Registration Statement) or indebtedness material to the Company.

(r) Except as disclosed in the Prospectus, the Company has acquired on commercially reasonable terms sufficient trademarks, trade names, patent rights, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures),

licenses, approvals and governmental authorizations necessary to carry on its business as now conducted and as proposed to be conducted in the Prospectus, except where the failure to own or possess such rights, either singly or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; and (i) the Company has no knowledge of any infringement by it of trademark, trade name rights, patent rights, copyrights, licenses, trade secret or other similar rights of others and (ii), to the Company's knowledge, there is no claim being made against the Company regarding trademark, trade name, patent, copyright, license, trade secret or other infringement which would, in either case, whether singly or in the aggregate,

reasonably be expected to have a Material Adverse Effect, nor is the Company aware of any reasonable grounds for the same.

(s) Each of the Company and its subsidiaries has filed all federal, state and local income tax returns or extensions therefor which have been required to be filed and has paid or accrued all taxes required to be paid and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except, in all cases, for any such tax, assessment, fine or penalty that is being contested in good faith. The Company has no knowledge of any tax deficiency which has been or might be asserted or threatened against the Company which would reasonably be expected to result in a Material Adverse Effect.

(t) The Company has not distributed and will not distribute prior to the Closing Date any offering material in connection with the offering and sale of the Shares other than the Prospectus and the Registration Statement, in substantially the form as filed by the Company with the Commission, and the other materials permitted by the Act.

(u) The Company and its subsidiaries maintain insurance of the types and in the amounts generally deemed reasonable and customary for their respective businesses and all other risks customarily insured against, all of which insurance is in full force and effect. None of the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and the Company has no reason to believe that it and its subsidiaries will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue their respective businesses.

(v) Neither the Company, any of its subsidiaries nor, to the Company's knowledge, any of its employees or agents has at any time during the last five years (i) made any unlawful contribution to any candidate for foreign office, or failed to disclose fully any contribution in violation of law or (ii) made any payment to any federal or state governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States of any jurisdiction thereof.

(w) No labor disturbance by the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is threatened; and the Company is not aware of any existing or threatened labor disturbance by the employees of any of its or its subsidiaries' principal suppliers, vendors or original equipment manufacturers that would reasonably be expected to result in a Material Adverse Effect. No collective bargaining agreement exists with any of the Company's or its subsidiaries' employees and, to the Company's knowledge, no such agreement is imminent.

(x) The Common Stock is registered pursuant to Section 12 of the Exchange Act and is listed on The New York Stock Exchange (the "***NYSE***"), and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or de-listing the Common Stock from the NYSE, nor has the Company received any notification that the Commission or the NYSE is contemplating terminating such registration or listing. The Company has applied with the NYSE to have the Company Firm Shares and the Additional Shares approved for listing on the NYSE, which approval has been granted by the NYSE, subject to official notice of issuance.

(y) Except as set forth in the Registration Statement and Prospectus, (i) the Company and its subsidiaries are in compliance with all rules, laws and regulations relating to the use, treatment, storage and disposal of toxic substances and protection of health or the environment ("***Environmental Laws***") which are applicable to their respective business, (ii) neither the Company nor any of its subsidiaries has received notice from any governmental authority or third party of an asserted claim under Environmental Laws which, under Regulation S-K, is required to be disclosed in the Registration Statement and the Prospectus, (iii) the Company and its subsidiaries will not be

required to make future material capital expenditures to comply with Environmental Laws, (iv) no property which is owned, leased or occupied by the Company or one of its subsidiaries has been designated as a Superfund site pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §9601, *et seq*.) ("***CERCLA***"), or otherwise designated as a contaminated site under applicable state or local law, (v) neither the Company nor any of its subsidiaries has disposed of any "hazardous substances" as defined by CERCLA on any property which is or was owned, leased or occupied by the Company or one of its subsidiaries, except in compliance with all applicable Environmental Laws; (vi) neither the Company nor any of its subsidiaries has disposed or arranged for disposal of any "hazardous substances" as defined by CERCLA on any third party property, except in compliance with all applicable Environmental Laws; and (vii) neither the Company nor any of its subsidiaries has agreed to assume, undertake or provide indemnification for any liability of any other person under any Environmental Law, including any obligation for cleanup or remedial action.

(z) There are no outstanding loans, advances (except normal advances for business expenses in the ordinary course of business) or guarantees of indebtedness by the Company to or for the benefit of any of the executive officers or directors of the Company or any of the members of the families of any of them of the sort required to be disclosed in the Registration Statement and Prospectus, except as disclosed therein. No relationship, direct or indirect, exists between or among the Company or any of its subsidiaries on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company or its subsidiaries, on the other hand, which is required to be described in the Prospectus which is not so described.

(aa) Each of the Company and its subsidiaries is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("***ERISA***"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company or any of its subsidiaries would have any liability.

(bb) The deposit accounts and investment certificates of World Financial Network National Bank, a wholly owned subsidiary of the Company (the "***Bank***"), are duly and adequately insured by the Federal Deposit Insurance Corporation (the "***FDIC***") to the full extent of FDIC insurance limits. No charge, investigation or proceeding for the termination or revocation of the Bank's charter, good standing or FDIC insurance is pending or, to the best knowledge of the Company, threatened.

(cc) Neither the Company nor the Bank is subject to any order of the Federal Reserve Board (the "***Federal Reserve***"), the FDIC, the Office of the Comptroller of the Currency (the "***OCC***") or any state or foreign banking departments with jurisdiction over the Bank or its operations, nor is the Company or the Bank subject to any agreement or consent related to compliance with banking laws and regulations with, or board resolution adopted at the instigation of, any such regulatory authorities. The Bank has conducted and is conducting its business so as to comply in all material respects with all applicable federal, foreign and state laws, rules, regulations, decisions, directives and orders of the Federal Reserve, the FDIC, the OCC and any state or foreign banking departments with jurisdiction over the Bank or its operations. No material charge, investigation or proceeding with respect to, or relating to, the Bank is pending or, to the best knowledge of the Company, threatened, by or before any regulatory, administrative or governmental agency, body or authority.

(dd) The Bank is in compliance with all applicable capital requirements. The Bank is "well capitalized" as defined in FDIC regulations, with capital ratios as set forth in the Registration Statement and the Prospectus.

(ee) Neither the Company nor any of its subsidiaries is a "bank holding company" within the meaning of the Bank Holding Company Act of 1956, as amended.

(ff) Except as would not reasonably be expected to have a Material Adverse Effect, whether singly or in the aggregate, the credit card accounts (the "***Accounts***") originated by the Bank, whether securitized by the Bank or retained as seller's interest for the Bank's own account, have been created, maintained by the Bank and serviced in compliance with applicable federal and state laws and regulations and the standard policies and procedures of the Bank relating to the administration of the Accounts including, but not limited to, the solicitation, credit approval, processing, servicing, collection and other administration and management of the Accounts, as such policies and procedures may have been modified from time to time.

(gg) The interest rates, fees and charges in connection with the Accounts comply in all material respects with applicable federal and state laws and regulations and, except as would not reasonably be expected to have a Material Adverse Effect, whether singly or in the aggregate, with each agreement between the Bank and a cardholder containing the terms and conditions of the Account.

(hh) All applications for Accounts have been conducted and evaluated and applicants notified in a manner which is in compliance, in all material respects, with all applicable provisions of the Equal Credit Opportunity Act and its implementing regulations, as amended. All disclosures made in connection with the Accounts are and have been in compliance, in all material respects, with the applicable provisions of the Consumer Credit Protection Act and its implementing regulations, as amended.

(ii) The conditions for the use of Form S-3 for this Offering, as set forth in the General Instructions thereto, have been satisfied.

(jj) The documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectus, at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the applicable requirements of the Exchange Act and the Regulations, and, when read together with the other information in the Prospectus, at the time the Registration Statement and any amendments thereto become effective and at the Closing Date, do not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(kk) The Company has not, except as would not violate the Sarbanes-Oxley Act of 2002, directly or indirectly, including through a Subsidiary, extended or maintained credit, arranged for the extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any director or executive officer of the Company.

2. ***Representations and Warranties of the Selling Stockholder.*** The Selling Stockholder represents and warrants to, and agrees with, each of the Underwriters that:

(a) This Agreement has been duly and validly executed and delivered by or on behalf of the Selling Stockholder and is a valid and binding agreement of the Selling Stockholder, enforceable against the Selling Stockholder in accordance with its terms, subject to any bankruptcy or other law affecting the enforcement of creditors rights generally and any general principles of equity.

(b) The Custody Agreement (the "***Custody Agreement***") signed by the Selling Stockholder and EquiServe Trust Company, N.A., as custodian (in such capacity, the "***Custodian***"), and the transactions contemplated thereby and by this Agreement have been duly and validly authorized by the Selling Stockholder, and the Custody Agreement has been duly and validly executed and

delivered by the Selling Stockholder and is a valid and binding agreement of the Selling Stockholder.

(c) Certificates for all of the Selling Stockholder Shares, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed, have been placed in custody with the Custodian with instructions to deliver such Selling Stockholder Shares to the Underwriters pursuant to this Agreement.

(d) The Selling Stockholder has, and on the Closing Date will have, valid title to, and is the lawful owner of, all of the Selling Stockholder Shares, free and clear of all pledges, liens, encumbrances, equities, claims, security interests or any other adverse claims, and has and will have the legal right and power, and all authorizations and approvals required by law, to enter into this Agreement and the Custody Agreement, to sell, transfer and deliver all of the Selling Stockholder Shares pursuant to this Agreement and to comply with its other obligations hereunder and thereunder.

(e) Upon payment for the security entitlement in respect of the Shares to be sold by the Selling Stockholder to each of the several Underwriters as provided in this Agreement and the crediting of such Shares on the records of The Depository Trust Company ("***DTC***") to a security account or security accounts in the name of such Underwriters (assuming that such Underwriters do not have notice of any adverse claim (as such phrase is defined in Section 8-105 of the Uniform Commercial Code as in effect in the State of New York (the "***UCC***")) to such Shares or any security entitlement in respect thereof), (A) under Section 8-501 of the UCC, such Underwriter will acquire a security entitlement in respect of such Shares and (B) no action based on any "adverse claim" (as defined in Section 8-102 of the UCC) to such security entitlement may be asserted against such Underwriter.

(f) No consent, approval, authorization, order, registration, filing qualification, license or permit of or with any court or any public, governmental or regulatory agency or body or any third party is required for the execution, delivery and performance of this Agreement or the Custody Agreement by the Selling Stockholder, or the consummation by the Selling Stockholder of the transactions contemplated herein or therein, except such as have been obtained under the Act and such as may be required under the state securities laws, the blue sky laws of any jurisdiction or the National Association of Securities Dealers, Inc. ("***NASD***") in connection with the purchase and distribution of the Selling Stockholder Shares by the Underwriters.

(g) The execution, delivery and performance of this Agreement and the Custody Agreement by the Selling Stockholder and the consummation of any of the other transactions contemplated herein and therein by the Selling Stockholder or the fulfillment of the terms hereof by the Selling Stockholder will not (A) conflict with, result in a breach or violation of, or constitute a default (or an event that with notice or lapse of time, or both, would constitute a default) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Selling Stockholder pursuant to any law, statute, rule or regulation or the terms of any indenture or other agreement or instrument to which the Selling Stockholder is party or bound, or to which any of the property or assets of the Selling Stockholder is subject, or (B) result in any violation of the provisions of any charter or bylaws or other organizational documents of the Selling Stockholder, or any judgment, order, decree, statute, rule or regulation applicable to the Selling Stockholder of any court or any public, governmental or regulatory agency or body, administrative agency or arbitrator having jurisdiction over the Selling Stockholder.

(h) The Selling Stockholder does not have, or has waived prior to the date hereof, any preemptive right, co-sale right or right of first refusal or other similar right to purchase any of the Company Firm Shares and Additional Shares, if any, that are to be sold by the Company to the Underwriters pursuant to this Agreement; and the Selling Stockholder does not own any warrants,

options or similar rights to acquire, and does not have any right or arrangement to acquire, any capital stock, right, warrants, options or other securities from the Company.

(i) All information furnished by or on behalf of the Selling Stockholder in writing expressly for use in the Registration Statement and Prospectus is, and on the Closing Date, will be, true, correct and complete, and does not, and on the Closing Date, will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make such information not misleading. The parties acknowledge that the only information furnished by or on behalf of the Selling Stockholder in writing expressly for use in the Registration Statement is the information as to its name, address and the amount of shares of the Company held by the Selling Stockholder prior to the offering and to be offered for the Selling Stockholder's account. The Selling Stockholder confirms as accurate the number of shares set forth opposite its name in the Prospectus under the caption "Selling Stockholder," both prior to and after giving effect to the sale of the Selling Stockholder Shares.

(j) The Selling Stockholder has not taken and will not take, directly or indirectly, any action designed to, or that might be reasonably expected to, cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Selling Stockholder Shares.

(k) The Selling Stockholder has not distributed and will not distribute, prior to the later of (x) the Additional Closing Date, if any, and (y) the completion of the Underwriters' distribution of the Shares, any offering material in connection with the offering and sale of the Shares by the Selling Stockholder other than a preliminary prospectus, the Prospectus or the Registration Statement.

(l) The Selling Stockholder is not prompted to sell the Selling Stockholder Shares by any material nonpublic information concerning the Company or any of its subsidiaries which is not set forth in the Registration Statement and the Prospectus.

Any certificate signed by or on behalf of the Selling Stockholder and delivered to the Representatives or to counsel for the Underwriters shall be deemed to be a representation and warranty by the Selling Stockholder to each Underwriter as to the matters covered thereby.

3. ***Purchase, Sale and Delivery of the Shares.***

(a) On the basis of the representations, warranties, covenants and agreements herein contained, but subject to the terms and conditions herein set forth, the Company and the Selling Stockholder agree to issue and sell to each Underwriter and each Underwriter, severally and not jointly, agrees to purchase from the Company and the Selling Stockholder, at a purchase price per share of $, the number of Firm Shares set forth opposite the respective names of the Underwriters in Schedule I hereto plus any additional number of Shares which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(b) Payment of the purchase price for, and delivery of certificates for, the Shares shall be made at the office of Gibson, Dunn & Crutcher LLP, 200 Park Avenue, 48th Floor, New York, New York, or at such other place as shall be agreed upon by Bear, Stearns & Co. Inc. ("***Bear Stearns***") and the Company, at 10:00 A.M., New York City time, on the third or fourth business day (as permitted under Rule 15c6-1 under the Exchange Act) (unless postponed in accordance with the provisions of Section 10 hereof) following the date of the effectiveness of the Registration Statement (or, if the Company has elected to rely upon Rule 430A of the Regulations, the third or fourth business day (as permitted under Rule 15c6-1 under the Exchange Act) after the determination of the initial public offering price of the Shares), or such other time not later than ten business days after such date as shall be agreed upon by Bear Stearns and the Company (such time and date of payment and delivery being herein called the "***Closing Date***").

(c) Payment of the purchase price for the Firm Shares shall be made to, or as directed by, each of the Company and the Selling Stockholder by wire transfer in same day funds, as the case may be, upon delivery of certificates for the Firm Shares to Bear Stearns for the respective accounts of the several Underwriters. The Selling Stockholder hereby agrees that (i) it will pay all stock transfer taxes, stamp duties and other similar taxes, if any, payable upon the sale or delivery of the Selling Stockholder Shares to the several Underwriters, or otherwise in connection with the performance of the Selling Stockholder's obligations hereunder and (ii) the Representatives are authorized to deduct for such payment any such amounts from the proceeds to the Selling Stockholder hereunder. Certificates for the Firm Shares shall be registered in such name or names and in such authorized denominations as you may request in writing at least two full business days prior to the Closing Date. The Company and the Custodian will permit you to examine and package such certificates for delivery at least one full business day prior to the Closing Date. If you so elect, delivery of the Firm Shares may be made by credit through full fast transfer to the accounts at The Depository Trust Company designated by you.

(d) In addition, on the basis of the representations, warranties, covenants and agreements herein contained, but subject to the terms and conditions herein set forth, the Company hereby grants to the Underwriters the option to purchase up to 1,350,000 Additional Shares at the same purchase price per share to be paid by the Underwriters to the Company for the Firm Shares as set forth in this Section 3, for the sole purpose of covering over-allotments in the sale of Firm Shares by the Underwriters. This option may be exercised from time to time and at any time, in whole or in part, on or before the 30th day following the date of the Prospectus, by written notice by Bear Stearns to the Company. Such notice shall set forth the aggregate number of Additional Shares as to which the option is being exercised and the date and time, as reasonably determined by Bear Stearns, when the Additional Shares are to be delivered (such date and time being herein sometimes referred to as the "***Additional Closing Date***"); *provided, however*, that, unless otherwise agreed to by Bear Stearns and the Company, the Additional Closing Date shall not be earlier than the Closing Date or earlier than the second full business day after the date on which the option shall have been exercised nor later than the eighth full business day after the date on which the option shall have been exercised (unless such time and date are postponed in accordance with the provisions of Section 10 hereof). Certificates for the Additional Shares shall be registered in such name or names and in such authorized denominations as you may request in writing at least two full business days prior to the Additional Closing Date. The Company will permit you to examine and package such certificates for delivery at least one full business day prior to the Additional Closing Date. If you so elect, delivery of any Additional Shares may be made by credit through full fast transfer to the accounts at The Depository Trust Company designated by you.

The number of Additional Shares to be sold to each Underwriter shall be the number which bears the same ratio to the aggregate number of Additional Shares being purchased as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto (or such number increased as set forth in Section 10 hereof) bears to 9,000,000, subject, however, to such adjustments to eliminate any fractional shares as Bear Stearns in its sole discretion shall make.

(e) Payment of the purchase price for the Additional Shares shall be made by wire transfer to, or as directed by, the Company in same day funds, upon delivery of the certificates for the Additional Shares to you for the respective accounts of the Underwriters, at the offices of Gibson, Dunn & Crutcher LLP, 200 Park Avenue, 48th Floor, New York, New York, or such other location as may be mutually acceptable.

4. ***Offering.*** Upon authorization of the release of the Firm Shares by Bear Stearns, the Underwriters propose to offer the Shares for sale to the public upon the terms and conditions set forth in the Prospectus.

5. ***Covenants of the Company; Covenants of the Selling Stockholder.***

(a) The Company covenants and agrees with each Underwriter that:

(i) The Company will use its best efforts to cause any amendments to the Registration Statement to become effective as promptly as possible, and if Rule 430A is used or the filing of the Prospectus is otherwise required under Rule 424(b) or Rule 434, the Company will file the Prospectus (properly completed if Rule 430A has been used) pursuant to Rule 424(b) or Rule 434 within the prescribed time period and will provide evidence satisfactory to you of such timely filing. If the Company elects to rely on Rule 434, the Company will prepare and file a term sheet that complies with the requirements of Rule 434.

The Company will notify you immediately (and, if requested by you, will confirm such notice in writing) (i) when the Registration Statement and any amendments thereto (including any post-effective amendments) become effective, (ii) of any request by the Commission for any amendment of or supplement to the Registration Statement or the Prospectus or for any additional information, (iii) of the mailing or the delivery to the Commission for filing of any amendment of or supplement to the Registration Statement or the Prospectus, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of the initiation, or the threatening, of any proceedings therefor, (v) of the receipt of any comments from the Commission and (vi) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for that purpose. If the Commission shall propose or enter a stop order at any time, the Company will make every reasonable effort to prevent the issuance of any such stop order and, if issued, to obtain the lifting of such order as soon as possible. The Company will not file any amendment to the Registration Statement or any amendment of or supplement to the Prospectus (including the prospectus required to be filed pursuant to Rule 424(b) or Rule 434 of the Regulations) that differs from the prospectus on file at the time of the effectiveness of the Registration Statement before or after the effective date of the Registration Statement or file any document under the Exchange Act if such document would be deemed to be incorporated by reference into the Prospectus to which you shall reasonably object in writing after being timely furnished in advance a copy thereof.

(ii) If at any time when a prospectus relating to the Shares is required to be delivered under the Act or the Exchange Act in connection with the sales of Shares any event shall have occurred as a result of which the Prospectus as then amended or supplemented would, in the judgment of the Underwriters or the Company, include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it shall be necessary at any time to amend or supplement the Prospectus or Registration Statement to comply with the Act or the Regulations, or to file under the Exchange Act so as to comply therewith any document incorporated by reference in the Registration Statement or the Prospectus or in any amendment thereof or supplement thereto, the Company will notify you promptly and prepare and file with the Commission an appropriate amendment or supplement (in form and substance reasonably satisfactory to you) which will correct such statement or omission or which will effect such compliance and will use its best efforts to have any amendment to the Registration Statement declared effective as soon as possible.

(iii) The Company will promptly deliver to you three signed copies of the Registration Statement, including exhibits and all amendments thereto, and the Company will promptly deliver to each of the Underwriters such number of copies of any preliminary prospectus, the

Prospectus, the Registration Statement and all amendments of and supplements to such documents, if any, and all documents incorporated by reference in the Registration Statement and Prospectus or any amendment thereof or supplement thereto, as you may reasonably request. The Company will use its reasonable best efforts to cause to be delivered to the Underwriters, in New York City or such other locations in the United States as directed by the Underwriters, by 2:00 p.m. New York City time on the business day next succeeding the date of this Agreement, copies of the Prospectus in such quantities as you may reasonably request.

(iv) The Company will endeavor in good faith, in cooperation with you, at or prior to the time of effectiveness of the Registration Statement, to qualify the Shares for offering and sale under the securities laws relating to the offering or sale of the Shares of such jurisdictions (foreign and domestic)

as you may designate and to maintain such qualification in effect for so long as required for the distribution thereof; except that in no event shall the Company be obligated in connection therewith to qualify as a foreign corporation or to execute a general consent to service of process.

(v) The Company will make generally available (within the meaning of Section 11(a) of the Act) to its security holders and to you as soon as practicable, but not later than 45 days after the end of its fiscal quarter in which the first anniversary date of the effective date of the Registration Statement occurs, an earnings statement (in form complying with the provisions of Rule 158 of the Regulations) covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement.

(vi) During the period of 180 days from the date of the Prospectus, the Company will not, without the prior written consent of Bear Stearns, issue, sell, offer or agree to sell, grant any option for the sale of, pledge, make any short sale or maintain any short position, establish or maintain a "put equivalent position" (within the meaning of Rule 16a-1(h) under the Exchange Act), enter into any swap, derivative transaction or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock (whether any such transaction is to be settled by delivery of Common Stock, other securities, cash or other consideration) or otherwise dispose of, any Common Stock (or any securities convertible into, exercisable for or exchangeable for Common Stock) or interest therein of the Company, and the Company will obtain the written undertaking, in the form attached hereto as Schedule IV, of each of its executive officers and directors and such of its stockholders and other officers as have been heretofore designated by you and listed on Schedule III attached hereto. The foregoing sentence shall not apply to (i) the Shares to be sold hereunder, (ii) the issuance by the Company of shares of Common Stock upon the exercise of options or warrants or the conversion of a security outstanding on the date hereof which is described in the Registration Statement or the Prospectus or (iii) the grant of options or share purchase rights by the Company pursuant to the option plans or other compensation plans described in the Registration Statement or Prospectus or the 2003 Long-Term Incentive Plan, provided, such options are not exercisable for 180 days after the date of the Prospectus, or if such options are exercisable within such period, such options are subject to lockup provisions substantially the same as those set forth in this Section 5(a)(vi). The Company further agrees that, with respect to any and all Common Stock that is pledged to the Company or is otherwise delivered to the Company for a similar purpose, if such Common Stock is subject to the lockup contemplated by this Section 5(a)(vi), such Common Stock when acquired by the Company due to the foreclosure by the Company or other similar action with respect to such Common Stock shall continue to be governed by, and the Company shall comply with, the lockup provision that applied to the pledgee or other person from whom the Company acquired such Common Stock.

(vii) During a period of three years from the effective date of the Registration Statement, the Company will furnish or make available to you copies of (i) all reports to its stockholders; and (ii) all reports, financial statements and proxy or information statements filed by the Company with the Commission or any national securities exchange.

(viii)The Company will apply the proceeds from the sale of the Shares by it as set forth under "Use of Proceeds" in the Prospectus.

(ix) The Company will use its best efforts to cause the Shares to be listed on the NYSE.

(x) The Company, during the period when the Prospectus is required to be delivered under the Act or the Exchange Act, will file all documents required to be filed with the Commission pursuant to Section 13, 14 or 15 of the Exchange Act within the time periods required by the Exchange Act and the rules and regulations thereunder.

(xi) The Company shall cause to be prepared and delivered, at its expense, within one business day from the effective date of this Agreement, to the Underwriters an "electronic Prospectus" to be used by the Underwriters in connection with the offering and sale of the Shares. As used herein, the term "***electronic Prospectus***" means a form of Prospectus, and any amendment or supplement thereto, that meets each of the following conditions: (i) it shall be encoded in an electronic format, reasonably satisfactory to Bear Stearns, that may be transmitted electronically by Bear Stearns and the other Underwriters to offerees and purchasers of the Shares for at least during the period when the Prospectus is required to be delivered under the Act or the Exchange Act (the "***Prospectus Delivery Period***"); (ii) it shall disclose the same information as the paper Prospectus and Prospectus filed pursuant to EDGAR, except to the extent that graphic and image material cannot be disseminated electronically, in which case such graphic and image material shall be replaced in the electronic Prospectus with a fair and accurate narrative description or tabular representation of such material, as appropriate; and (iii) it shall be in or convertible into a paper format or an electronic format, reasonably satisfactory to Bear Stearns, that will allow investors to store and have continuously ready access to the Prospectus at any future time, without charge to investors (other than any fee charged for subscription to the system as a whole and for on-line time). Such electronic Prospectus may consist of a Rule 434 preliminary prospectus, together with the applicable term sheet, provided that it otherwise satisfies the format and conditions described in the immediately preceding sentence.

(b) The Selling Stockholder covenants and agrees with each Underwriter:

(i) To deliver to the Representatives prior to the Closing Date, a properly completed and executed United States Treasury Department Form W-9, which may be replaced by any other applicable form or statement specified by Treasury Department regulations in lieu thereof.

(ii) To notify promptly the Company and the Representatives if, at any time prior to the date on which the distribution of the Shares as contemplated herein and in the Prospectus has been completed, as determined by the Representatives, the Selling Stockholder has knowledge of the occurrence of any event as a result of which the Prospectus or the Registration Statement, in each case as then amended or supplemented, would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(iii) To cooperate to the extent necessary to cause the Registration Statement or any post-effective amendment thereto to become effective at the earliest possible time and to do and perform all things to be done and performed under this Agreement prior to the Closing Date, and to satisfy all conditions precedent to the delivery of the Shares pursuant to this Agreement.

(iv) To pay or to cause to be paid all transfer taxes, stamp duties and other similar taxes, if any, with respect to the Shares to be sold by such Selling Stockholder.

(v) During the period of 180 days from the date of the Prospectus, the Selling Stockholder will not, without the prior written consent of Bear Stearns, issue, sell, offer or agree to sell, grant any option for the sale of, pledge, make any short sale or maintain any short position, establish or maintain a "put equivalent position" (within the meaning of Rule 16a-1(h) under the Exchange Act), enter into any swap, derivative transaction or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock (whether any such transaction is to be settled by delivery of Common Stock, other securities, cash or other consideration) or otherwise dispose of, any Common Stock (or any securities convertible into, exercisable for or exchangeable for Common Stock) or interest therein of the Selling Stockholder. The foregoing sentence shall not apply to the Shares to be sold hereunder.

6. ***Payment of Expenses.***

(a) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company hereby agrees to pay all costs and expenses incident to the performance of the obligations of the Company and the Selling Stockholder hereunder, including those in connection with (i) preparing, printing, duplicating, filing and distributing the Registration Statement, as originally filed and all amendments thereof (including all exhibits thereto), any preliminary prospectus, the Prospectus and any amendments or supplements thereto (including, without limitation, fees and expenses of the Company's accountants and counsel, and the Selling Stockholder's counsel), the underwriting documents (including this Agreement, the Agreement Among Underwriters and the Master Selling Agreement) and all other documents related to the public offering of the Shares (including those supplied to the Underwriters in quantities as hereinabove stated), (ii) the issuance, transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the qualification of the Shares under state or foreign securities or Blue Sky laws, including the costs of printing and mailing a preliminary and final "Blue Sky Survey" and the fees of counsel for the Underwriters and such counsel's disbursements in relation thereto, (iv) listing of the Shares on the NYSE, (v) filing fees of the Commission and the NASD; (vi) the cost of printing certificates representing the Shares; (vii) the cost and charges of any transfer agent or registrar and the costs and expenses of the Custodian and other fees under the Custody Agreement and (viii) all travel expenses of the Company's officers and employees and any other expense of the Company incurred in connection with attending or hosting meetings with prospective purchasers of the Shares. The Company also will pay or cause to be paid all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section 6. It is understood, however, that except as provided in this Section 6 and Sections 8, 9 and 12 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel and stock transfer taxes on resale of any of the Shares by them.

(b) Notwithstanding the foregoing, the Selling Stockholder shall pay all applicable stock transfer or other taxes related to the offering and sale of the Selling Stockholder Shares.

7. ***Conditions of Underwriters' Obligations.*** The obligations of the Underwriters to purchase and pay for the Firm Shares and the Additional Shares, as provided herein, shall be subject to the accuracy

of the representations and warranties of the Company and the Selling Stockholder herein contained, as of the date hereof and as of the Closing Date (for purposes of this Section 7, "***Closing Date***" shall refer to the Closing Date for the Firm Shares and any Additional Closing Date, if different, for the Additional Shares), to the absence from any certificates, opinions, written statements or letters furnished to you or to Gibson, Dunn & Crutcher LLP ("***Underwriters' Counsel***") pursuant to this Section 7 of any misstatement or omission, to the performance by the Company and the Selling Stockholder of its obligations hereunder, and to the following additional conditions:

(a) The Registration Statement shall have become effective not later than 5:30 P.M., New York City time, on the date of this Agreement, or at such later time and date as shall have been consented to in writing by you; if the Company shall have elected to rely upon Rule 430A or Rule 434 of the Regulations, the Prospectus shall have been filed with the Commission in a timely fashion in accordance with Section 5(a)(i) hereof; and, at or prior to the Closing Date no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereof shall have been issued and no proceedings therefor shall have been initiated or threatened by the Commission.

(b) At the Closing Date you shall have received the opinion of Akin Gump Strauss Hauer & Feld LLP, counsel for the Company, dated the Closing Date addressed to the Underwriters and in form and substance satisfactory to Underwriters' Counsel, to the effect that:

(i) The Company is validly existing as a corporation in good standing under the laws of the State of Delaware, the jurisdiction of its incorporation. Each subsidiary of the Company that is a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X (each, a "***Significant Subsidiary***") is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation or organization. The Company and each of its Significant Subsidiaries is duly qualified and in good standing as a foreign corporation in each jurisdiction listed opposite such Significant Subsidiary on Schedule II attached to this Agreement. The Company and each of its Significant Subsidiaries has the requisite corporate power to own, lease and license its respective properties and conduct its business as described in the Registration Statement and the Prospectus, and, with respect to the Company, to enter into this Agreement.

(ii) All of the issued and outstanding capital stock of each Significant Subsidiary has been duly authorized and validly issued and is fully paid and nonassessable and was not issued in violation of preemptive rights granted under such subsidiary's charter documents or under applicable state corporate or other organizational laws of the jurisdiction of its incorporation or organization, and are owned of record directly or indirectly by the Company, and, to such counsel's knowledge, free and clear of any lien, encumbrance, claim, security interest, restriction on transfer, stockholders' agreement, voting trust or other defect of title, except for those arising under the Company's (1) Credit Agreement (3-Year), dated as of April 10, 2003, by and among the Company, the guarantors from time to time party thereto, the lenders from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent, (2) Credit Agreement (364-Day), dated as of April 10, 2003, by and among the Company, the guarantors from time to time party thereto, the lenders from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent, and (3) Credit Agreement (Canadian), dated as of April 10, 2003, by and among Loyalty Management Group Canada Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent.

(iii) All of the outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and nonassessable and were not issued in violation of any preemptive rights granted under the Company's certificate of incorporation (the "***Certificate of***

Incorporation") or under the Delaware General Corporation Law. The Company Firm Shares to be delivered on the Closing Date and any Additional Shares to be delivered on the Additional Closing Date have been duly authorized and, when issued and delivered by the Company in accordance with this

Agreement, will be validly issued, fully paid and nonassessable and will not have been issued in violation of any preemptive rights granted under the Certificate of Incorporation or under the Delaware General Corporation Law. The Common Stock, the Firm Shares and the Additional Shares conform in all material respects to the descriptions thereof incorporated by reference into the Registration Statement and the Prospectus.

(iv) This Agreement has been duly authorized, executed and delivered by the Company.

(v) To the knowledge of such counsel, there is no litigation or governmental or other action, suit, proceeding or investigation before any court or before or by any public, regulatory or governmental agency or body pending or threatened against, or involving the properties or business of, the Company or any of its subsidiaries, which is of a character required to be disclosed in the Registration Statement and the Prospectus which has not been properly disclosed therein.

(vi) The execution and delivery of this Agreement by the Company do not and the performance of this Agreement by the Company and the consummation of the transactions contemplated hereby by the Company will not (A) conflict with or result in a breach of any of the terms and provisions of, or constitute a default (or an event which with notice or lapse of time, or both, would constitute a default) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its Significant Subsidiaries pursuant to, any material agreement, instrument, franchise, license or permit known to such counsel to which the Company or any of its Significant Subsidiaries is a party or by which any of such corporations or their respective properties or assets may be bound, which are listed in a schedule attached to the opinion, or (B) violate or conflict with any provision of the Certificate of Incorporation or bylaws (the "***Bylaws***") of the Company or any of its Significant Subsidiaries, or, to such counsel's knowledge, any judgment, decree, order, statute, rule or regulation of any court or any public, governmental or regulatory agency or body having jurisdiction over the Company or any of its Significant Subsidiaries or any of their respective properties or assets.

(vii) No consent, approval, authorization, order, registration, filing, qualification, license or permit of or with any court or any public, governmental, or regulatory agency or body having jurisdiction over the Company or any of its Significant Subsidiaries or any of their respective properties or assets is required for the due execution, delivery and performance of this Agreement by the Company or the consummation by the Company of the transactions contemplated by this Agreement, except for (1) such as may be required under any foreign securities laws or state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters (as to which such counsel need express no opinion), (2) such as have been made or obtained under the Act and the Exchange Act, (3) the clearance of the offering by the NASD and (4) such consents, approvals, authorizations and orders as have been duly obtained on or prior to the date hereof and are in full force and effect.

(viii)The Registration Statement and the Prospectus and any amendments thereof or supplements thereto (other than the financial statements and related notes and schedules and other financial data included or incorporated by reference therein, as to which no opinion need be rendered), as of their respective effective or issue dates, appear on their face to be appropriately responsive in all material respects with the requirements of the Act and the

Regulations. The documents filed by the Company under the Exchange Act and incorporated by reference in the Registration Statement and the Prospectus or any amendment thereof or supplement thereto (other than the financial statements and related notes and schedules and other financial data included or incorporated by reference therein, as to which no opinion need be rendered), at the time they were filed with the Commission, appear on their face to be appropriately responsive in all material respects with the Act and the Exchange Act, as applicable, and the applicable Rules and Regulations.

(ix) The Registration Statement was declared effective under the Act, the Prospectus was filed with the Commission pursuant to Rule 424(b) on or prior to the date hereto, in the manner and within the time period required thereby, and, to such counsel's knowledge, (a) no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereof has been issued under the Act by the Commission and (b) no proceedings for that purpose have been initiated or threatened by the Commission.

(x) To such counsel's knowledge, the Company (i) is not in violation or default of its Certificate of Incorporation or Bylaws and (ii) is not in breach of or default of any agreement, judgment, decree, order, mortgage, deed of trust, lease, franchise, license, indenture, permit or other instrument to which it is a party or by which it or any of its properties are bound and which are listed in a schedule attached to the opinion, except in the case of this clause (ii) as would not have a Material Adverse Effect.

(xi) To such counsel's knowledge, there are no contracts or other documents required to be described in the Registration Statement or to be filed as exhibits to the Registration Statement by the Regulations which have not been described, filed or incorporated by reference as required by the Regulations; it being understood that such counsel need express no opinion as to the financial statements and related notes and schedules and other financial data included or incorporated by reference in the Registration Statement.

(xii) The statements (i) included in or incorporated by reference in the Prospectus under the captions:

(a) Risk Factors—If our bank subsidiary fails to meet credit card bank criteria, we may become subject to regulation under the Bank Holding Company Act, which would force us to cease all of our non-banking business activities and thus cause a drastic reduction in our profits and revenue;

(b) Risk Factors—Delaware law and our charter documents could prevent a change of control that might be beneficial to you;

(c) Risk Factors—Legislation relating to consumer privacy may affect our ability to collect data that we use in providing our marketing services, which could negatively affect our ability to satisfy our clients' needs;

(d) Risk Factors—Current and proposed regulation and legislation relating to our credit services could limit our business activities, product offerings and fees charged,

(e) Business—Regulation;

(f) Executive Compensation—Employment, Severance and Indemnification Agreements (incorporated by reference in the Company's Annual Report on Form 10-K, filed with the Commission on March 12, 2003 (the "***Annual Report***"));

(g) Executive Compensation—Amended and Restated Stock Option and Restricted Stock Plan (incorporated by reference in the Annual Report);

(h) Executive Compensation—Alliance Data Systems 401(k) and Retirement Savings Plan (incorporated by reference in the Annual Report);

(i) Executive Compensation—Supplemental Executive Retirement Plan (incorporated by reference in the Annual Report);

(j) Executive Compensation—2003 Incentive Compensation Plan (incorporated by reference in the Annual Report);

(k) Executive Compensation—Employee Stock Purchase Plan (incorporated by reference in the Annual Report);

(l) Certain Relationships and Related Transactions—Transactions with Welsh, Carson, Anderson & Stowe;

(m) Certain Relationships and Related Transactions—Transactions with Limited Brands; and

(n) Certain Relationships and Related Transactions—Stockholders Agreement with Welsh Carson and Limited Brands, and

(ii) in Item 15 of Part II of the Registration Statement, insofar as those statements are a description of the legal matters, documents or proceedings referred to therein, fairly summarize in all material respects the information called for with respect to such legal matters, documents and proceedings.

(xiii)Other than as described in the Prospectus, no stockholder of the Company or any other person has any preemptive right of first refusal or other similar right to subscribe for or purchase the Common Stock of the Company (i) arising by operation of the certificate of incorporation or bylaws of the Company or the general corporation law of the State of Delaware or (ii) arising from any contract or agreement filed as an exhibit to the Registration Statement or otherwise listed in a schedule attached to the opinion.

(xiv) In addition, such opinion shall also contain a statement that such counsel has participated in conferences with officers and representatives of the Company, representatives of the independent public accountants for the Company and the Underwriters during which the contents of the Registration Statement and the Prospectus and related matters were discussed and, no information has come to the attention of such counsel that would cause such counsel to believe that (it being understood that such counsel need express no belief or opinion with respect to the financial statements and related notes and schedules and other financial data included or incorporated by reference therein) (i) any of the documents incorporated by reference in the Registration Statement and the Prospectus, when such documents were so filed, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such documents were so filed, not misleading, and (ii) either the Registration Statement at the time it became effective (including the information deemed to be part of the Registration Statement at the time of effectiveness pursuant to Rule 430A(b) or Rule 434, if applicable), or any amendment thereof made prior to the Closing Date as of the date of such amendment, contained an untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus as of its date (or any amendment thereof or supplement thereto made prior to the Closing Date as of the date of such amendment or supplement) and as of the Closing Date contained or contains an untrue statement of a material fact or omitted or omits to state any material fact necessary

in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may rely (A) as to matters involving the application of laws other than the laws of the United States and jurisdictions in which they are admitted, to the extent such counsel deems proper and to the extent specified in such opinion, if at all, upon an opinion or opinions (in form and substance reasonably satisfactory to Underwriters' Counsel) of other counsel reasonably acceptable to Underwriters' Counsel, familiar with the applicable laws, or, in the alternative, such other counsel may deliver such opinion or opinions directly to the Underwriters; (B) as to matters of fact, to the extent they deem proper, on certificates of responsible officers of the Company and certificates or other written statements of officers of departments of various jurisdictions having custody of documents respecting the corporate existence or good standing of the Company and its subsidiaries, provided that copies of any such statements or certificates shall be delivered to Underwriters' Counsel.

(c) At the Closing Date you shall have received the opinion of Davis Polk & Wardwell, counsel for the Selling Stockholder, dated the Closing Date addressed to the Underwriters and in form and substance satisfactory to Underwriters' Counsel, to the effect that:

(i) The Selling Stockholder has been duly organized and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation with full power and corporate and all other necessary authority to own its properties and conduct its business.

(ii) The Selling Stockholder has full legal right, power and authority, and any approval required by law (other than any approval imposed by the applicable state securities and Blue Sky laws) to enter into this Agreement and the Custody Agreement and to sell, assign, transfer and deliver the Shares to be sold by such Selling Stockholder in the manner provided in this Agreement.

(iii) This Agreement has been duly and validly authorized, executed and delivered by the Selling Stockholder, and is a valid and binding agreement of the Selling Stockholder.

(iv) The Custody Agreement appointing EquiServe Trust Company, N.A. as the Custodian, with regard to the transactions contemplated hereby and thereby, has been duly authorized, executed and delivered by or on behalf of the Selling Stockholder and is the valid and binding agreement of the Selling Stockholder, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally or by equitable principles of general applicability.

(v) Upon payment for the security entitlement in respect of the Shares to be sold by the Selling Stockholder to each of the several Underwriters as provided in this Agreement and the crediting of such Shares on the records of theDTC to a security account or security accounts in the name of such Underwriters (assuming that such Underwriters do not have notice of any adverse claim (as such phrase is defined in Section 8-105 of the UCC) to such

Shares or any security entitlement in respect thereof), (A) under Section 8-501 of the UCC, such Underwriter will acquire a security entitlement in respect of such Shares and (B) no action based on any "adverse claim" (as defined in Section 8-102 of the UCC) to such security entitlement may be asserted against such Underwriter.

(vi) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation of the transactions contemplated by this Agreement in connection with the Shares to be sold by the Selling Stockholder under this Agreement, except such as have been obtained under the Act and such as may be required under state securities or Blue Sky laws or any applicable law, rule or regulation of any foreign jurisdiction in connection with the purchase and distribution of such Shares by the Underwriters.

(d) At the Closing Date you shall have received the opinion of Sam Fried, the General Counsel of Limited Brands, Inc., the parent corporation of the Selling Stockholder, dated the Closing Date addressed to the Underwriters and in form and substance satisfactory to Underwriters' Counsel, to the effect that:

(i) The Selling Stockholder has valid title to, and is the lawful owner of, the Shares to be sold by the Selling Stockholder, free and clear of all pledges, liens, encumbrances, equities, claims, security interests or any other adverse claims.

(ii) The execution, delivery and performance of this Agreement and the Custody Agreement by the Selling Stockholder, compliance by the Selling Stockholder with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) conflict with or constitute a breach of any of the terms or provisions of, or a default under, any material agreement, indenture or other instrument known to such counsel to which the Selling Stockholder is a party or by which the Selling Stockholder or property of the Selling Stockholder is bound, (B) contravene or conflict with or result in a breach or violation of the charter or bylaws or other organizational documents of the Selling Stockholder or (C) violate, contravene or conflict with any judgment, order, decree, statute, rule or regulation known to such counsel of any court or any public, governmental or regulatory agency or body, administrative agency or arbitrator having jurisdiction over the Selling Stockholder or the property of the Selling Stockholder.

(e) All proceedings taken in connection with the sale of the Firm Shares and the Additional Shares as herein contemplated shall be satisfactory in form and substance to you and to Underwriters' Counsel, and the Underwriters shall have received from said Underwriters' Counsel a favorable opinion, dated as of the Closing Date with respect to the issuance and sale of the Shares, the Registration Statement and the Prospectus and such other related matters as you may reasonably require, and the Company shall have furnished to Underwriters' Counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(f) At the Closing Date you shall have received a certificate of the Company executed on its behalf by its Chief Executive Officer and Chief Financial Officer, dated the Closing Date to the effect that (i) the condition set forth in subsection (a) of this Section 7 has been satisfied, (ii) as of the date hereof and as of the Closing Date the representations and warranties of the Company set forth in Section 1 hereof are accurate, (iii) as of the Closing Date the obligations of the Company to be performed or complied with hereunder on or prior thereto have been duly performed or complied with and (iv) subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, the Company and its subsidiaries have not sustained any material loss or interference with their respective businesses or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or any legal or governmental proceeding, and there has not been any material adverse change, or any development involving a prospective material adverse change, in the properties, operations, condition (financial or otherwise), or results of operations of the Company as presently conducted or as proposed to be conducted and its subsidiaries taken as a whole, except in each case as described in or contemplated by the Prospectus.

(g) At the Closing Date you shall have received a certificate of the Selling Stockholder, executed on its behalf by its President or any Vice President, dated the Closing Date to the effect that (i) as of the date hereof and as of the Closing Date the representations and warranties of the Selling Stockholder set forth in Section 2 hereof are accurate and (ii) as of the Closing Date the obligations of the Selling Stockholder to be performed or complied with hereunder on or prior thereto have been duly performed or complied with.

(h) At the time this Agreement is executed and at the Closing Date, you shall have received a letter, from Deloitte & Touche LLP, independent public accountants for the Company, dated, respectively, as of the date of this Agreement and as of the Closing Date, addressed to the Underwriters and in form and substance reasonably satisfactory to you and Underwriters' Counsel.

(i) Prior to the Closing Date the Company shall have furnished to you such further information, certificates and documents as you may reasonably request.

(j) You shall have received from each person who is a director or officer of the Company, and each stockholder as has been heretofore designated by you and listed on Schedule III hereto, a lock-up agreement, in the form set forth on Schedule IV hereto.

(k) At the Closing Date, the Shares shall have been approved for listing on the NYSE upon official notice of issuance.

(l) At the Closing Date, the NASD shall have confirmed that it has no objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(m) On or prior to the Closing Date, you shall have received a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof) from the Selling Stockholder.

If any of the conditions specified in this Section 7 shall not have been fulfilled when and as required by this Agreement, or if any of the certificates, opinions, written statements or letters furnished to you or to Underwriters' Counsel pursuant to this Section 7 shall not be in all material respects reasonably satisfactory in form and substance to you and to Underwriters' Counsel, all obligations of the Underwriters hereunder may be canceled by you at, or at any time prior to, the Closing Date and the obligations of the Underwriters to purchase the Additional Shares may be canceled by you at, or at any time prior to, the Additional Closing Date. Notice of such cancellation shall be given to the Company in writing, or by telephone, telex or telegraph, confirmed in writing.

8. ***Indemnification.***

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, against any and all losses, liabilities, claims, damages and expenses whatsoever as incurred (including but not limited to reasonable attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), joint or several, to which they or any of them may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement for the registration of the Shares, as originally filed or any amendment thereof, or any related preliminary prospectus or the Prospectus, or in any supplement thereto or amendment thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that the Company will not be liable in any such case to the extent, but only to the extent, that any such loss, liability, claim, damage or expense arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through you expressly for use therein; and *provided, further*, that this indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, liabilities, claims, damages or expenses purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or

supplemented if the Company shall have furnished any such amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if such is required by law, at or prior to the written confirmation of the sale of such Shares to such person and if the Prospectus (as so amended or supplemented) would have corrected the defect giving rise to such loss, liability, claim, damage or expense. This indemnity agreement will be in addition to any liability which the Company may otherwise have, including under this Agreement.

(b) The Selling Stockholder shall indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act against any and all losses, liabilities, claims, damages and expenses whatsoever as incurred (including but not limited to reasonable attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever and any and all amounts paid in settlement of any claim or litigation), joint or several, to which they or any of them may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement for the registration of the Shares, as originally filed or any amendment thereof, or any related preliminary prospectus or the Prospectus, or in any supplement thereto or amendment thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but in such case only with reference to information relating to the Selling Stockholder furnished by or on behalf of the Selling Stockholder expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or in any amendments or supplements thereto. The parties acknowledge that the only information furnished by or on behalf of the Selling Stockholder in writing expressly for use in the Registration Statement is the information as to its name, address and the amount of shares of the Company held by the Selling Stockholder prior to the offering and to be offered for the Selling Stockholder's account. This indemnity agreement will be in addition to any liability that the Selling Stockholder may otherwise have, including under this Agreement.

(c) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless the Company, the Selling Stockholder, each of the directors of the Company, each of the officers of the Company who shall have signed the Registration Statement, and each other person, if any, who controls the Company or any of its subsidiaries within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, against any losses, liabilities, claims, damages and expenses whatsoever as incurred (including but not limited to attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), joint or several, to which they or any of them may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement for the registration of the Shares, as originally filed or any amendment thereof, or any related preliminary prospectus or the Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that any such loss, liability, claim, damage or expense arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through you expressly for use therein; *provided, however*, that in no case shall any Underwriter be liable or responsible for any amount in excess of the underwriting discount applicable to the Shares purchased by such Underwriter hereunder. This indemnity will be

in addition to any liability which any Underwriter may otherwise have including under this Agreement. The Company and the Selling Stockholder acknowledge that the statements set forth in the fourth paragraph (beginning with "The underwriters propose...") and eleventh paragraph (beginning with "In connection with the offering...") under the caption "Underwriting" in the Prospectus constitute the only information furnished in writing by or on behalf of any Underwriter expressly for use in the registration statement relating to the Shares as originally filed or in any amendment thereof, any related preliminary prospectus or the Prospectus or in any amendment thereof or supplement thereto, as the case may be.

(d) Promptly after receipt by an indemnified party under subsection (a), (b) or (c) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify each party against whom indemnification is to be sought in writing of the commencement thereof (but the failure so to notify an indemnifying party shall not relieve it from any liability which it may have under this Section 8 to the extent the indemnifying party is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability that such indemnifying party may have otherwise than on account of this indemnity agreement). In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by one of the indemnifying parties in connection with the defense of such action, (ii) the indemnifying parties shall not have employed counsel to have charge of the defense of such action within a reasonable time after notice of commencement of the action, or (iii) such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the indemnifying parties. Anything in this

subsection to the contrary notwithstanding, an indemnifying party shall not be liable for any settlement of any claim or action effected without its written consent; *provided, however*, that such consent was not unreasonably withheld.

9. ***Contribution.*** In order to provide for contribution in circumstances in which the indemnification provided for in Section 8 hereof is for any reason held to be unavailable from any indemnifying party or is insufficient to hold harmless a party indemnified thereunder, the Company, the Selling Stockholder and the Underwriters shall contribute to the aggregate losses, claims, damages, liabilities and expenses of the nature contemplated by such indemnification provision (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, but after deducting in the case of losses, claims, damages, liabilities and expenses suffered by the Company and the Selling Stockholder, any contribution received by the Company and/or the Selling Stockholder from persons, other than the Underwriters, who may also be liable for contribution, including persons who control the Company and/or the Selling Stockholder within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, officers of the Company who signed the Registration Statement and directors of the Company) as incurred to which the Company, the Selling Stockholder and one or more of the Underwriters may be subject, in such proportions as is appropriate to reflect the relative benefits received by the Company, the Selling Stockholder and one or more of the Underwriters from the Offering or, if such allocation is not permitted by applicable law or indemnification is not available as a

result of the indemnifying party not having received notice as provided in Section 8 hereof, in such proportion as is appropriate to reflect not only the relative benefits referred to above but also the relative fault of the Company, the Selling Stockholder and the Underwriters in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, the Selling Stockholder and the Underwriters shall be deemed to be in the same proportion as (x) the total proceeds from the Offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company and the Selling Stockholder bears to (y) the underwriting discounts and commissions received by the respective Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of each of the Company, the Selling Stockholder and of the Underwriters shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Stockholder or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Stockholder and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 9. Notwithstanding the provisions of this Section 9, (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 9, each person, if any, who controls an Underwriter within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act shall have the same rights to contribution as such Underwriter, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company and the Selling Stockholder, subject in each case to clauses (i) and (ii) of the immediately preceding sentence. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties, notify each party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 9 or otherwise. No party shall be liable for contribution with respect to any action or claim settled without its consent; *provided, however*, that such consent was not unreasonably withheld. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several in proportion to the number of Firm Shares set forth opposite their respective names in Schedule I hereto and not joint.

10. ***Default by an Underwriter.***

(a) If any Underwriter or Underwriters shall default in its or their obligation to purchase Firm Shares or Additional Shares hereunder, and if the Firm Shares or Additional Shares with respect to which such default relates do not (after giving effect to arrangements, if any, made by you pursuant to subsection (b) below) exceed in the aggregate 10% of the number of Firm Shares or Additional Shares, the Firm Shares or Additional Shares to which the default relates shall be purchased by the non-defaulting Underwriters in proportion to the respective proportions which the numbers of Firm Shares set forth opposite their respective names in Schedule I hereto bear to

the aggregate number of Firm Shares set forth opposite the names of the non-defaulting Underwriters.

(b) In the event that such default relates to more than 10% of the Firm Shares or Additional Shares, as the case may be, you may in your discretion arrange for yourself or for another party or parties (including any non-defaulting Underwriter or Underwriters who so agree) to purchase such Firm Shares or Additional Shares, as the case may be, to which such default relates on the terms contained herein. In the event that within five calendar days after such a default you do not arrange for the purchase of the Firm Shares or Additional Shares, as the case may be, to which such default relates as provided in this Section 10, this Agreement or, in the case of a default with respect to the Additional Shares, the obligations of the Underwriters to purchase and of the Company to sell the Additional Shares shall thereupon terminate, without liability on the part of the Company or the Selling Stockholder with respect thereto (except in each case as provided in Section 6(a), 8(a) and 9 hereof with respect to the Company and Section 6(b), 8(b) and 9 hereof with respect to the Selling Stockholder) or the Underwriters (except in the case as provided in Section 8(c) and 9 hereof), but nothing in this Agreement shall relieve a defaulting Underwriter or Underwriters of its or their liability, if any, to the other Underwriters and the Company and the Selling Stockholder for damages occasioned by its or their default hereunder. Upon termination of the Underwriters' obligations as provided in this Section 10(b), the Underwriters acknowledge that the Company shall have no obligation to reimburse them for, and the Underwriters shall be responsible for, their own costs and expenses, including out-of-pocket expenses and fees and expenses of its counsel.

(c) In the event that the Firm Shares or Additional Shares to which the default relates are to be purchased by the non-defaulting Underwriters, or are to be purchased by another party or parties as aforesaid, you or the Company shall have the right to postpone the Closing Date or Additional Closing Date, as the case may be for a period, not exceeding five business days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus or in any other documents and arrangements, and the Company agrees to file promptly any amendment or supplement to the Registration Statement or the Prospectus which, in the opinion of Underwriters' Counsel, may thereby be made necessary or advisable. The term "***Underwriter***" as used in this Agreement shall include any party substituted under this Section 10 with like effect as if it had originally been a party to this Agreement with respect to such Firm Shares and Additional Shares.

11. ***Survival of Representations and Agreements.*** All representations and warranties, covenants and agreements of the Underwriters, the Company and the Selling Stockholder contained in this Agreement, including the agreements contained in Section 6, the indemnity agreements contained in Section 8 and the contribution

agreements contained in Section 9, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any controlling person thereof or by or on behalf of the Company, any of its officers and directors (including any person who, with his or her consent, is named in the Registration Statement as about to become, and does become, a director of the Company), any controlling person thereof or by or on behalf of the Selling Stockholder, and shall survive delivery of and payment for the Shares to and by the Underwriters. The representations contained in Sections 1 and 2 and the agreements contained in Sections 6, 8, 9 and 12(d) hereof shall survive the termination of this Agreement, including termination pursuant to Section 10 or 12 hereof.

12. ***Effective Date of Agreement; Termination.***

(a) This Agreement shall become effective, upon the later of when (i) you and the Company shall have received notification of the effectiveness of the Registration Statement or (ii) the execution of this Agreement. If either the initial public offering price or the purchase price per

Share has not been agreed upon prior to 5:00 P.M., New York City time, on the fifth full business day after the Registration Statement shall have become effective, this Agreement shall thereupon terminate without liability to the Company or the Underwriters except as herein expressly provided. Until this Agreement becomes effective as aforesaid, it may be terminated by the Company by notifying you or by you notifying the Company. Notwithstanding the foregoing, the provisions of this Section 12 and of Sections 1, 2, 6, 8 and 9 hereof shall at all times be in full force and effect.

(b) You shall have the right to terminate this Agreement at any time prior to the Closing Date or the obligations of the Underwriters to purchase the Additional Shares at any time prior to the Additional Closing Date, as the case may be, (A) if any domestic or international event or act or occurrence has materially disrupted, or in your opinion will in the immediate future materially disrupt, the market for the Company's securities or securities in general; or (B) if trading on the New York or American Stock Exchanges or the Nasdaq National Market System shall have been suspended, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required, on the New York or American Stock Exchanges or the Nasdaq National Market System by such entities or by order of the Commission or any other governmental authority having jurisdiction; or (C) if a banking moratorium has been declared by a state or federal authority, if any material disruption in commercial banking or securities settlement or clearance services shall have occurred or if any new restriction materially adversely affecting the distribution of the Firm Shares or the Additional Shares, as the case may be, shall have become effective; or (D) (i) if there shall have occurred any outbreak or escalation of hostilities or acts of terrorism involving the United States or there is a declaration of a national emergency or war by the United States or (ii) if there shall have been any other calamity or crisis or any change in political, financial or economic conditions if the effect of any such event in (i) or (ii), in your judgment, makes it impracticable or inadvisable to proceed with the offering, sale and delivery of the Firm Shares or the Additional Shares, as the case may be, on the terms contemplated by the Prospectus.

(c) Any notice of termination pursuant to this Section 12 shall be by telephone, telex, or telegraph, confirmed in writing by letter.

(d) If this Agreement shall be terminated pursuant to any of the provisions hereof (otherwise than pursuant to (i) notification by you as provided in Section 12(a) hereof or (ii) Section 10(b) or 12(b) hereof), or if the sale of the Shares provided for herein is not consummated because any condition to the obligations of the Underwriters set forth herein is not satisfied or because of any refusal, inability or failure on the part of the Company or the Selling Stockholder to perform any agreement herein or comply with any provision hereof, the Company will, subject to demand by you, reimburse the Underwriters for all out-of-pocket expenses (including the fees and expenses of their counsel), incurred by the Underwriters in connection herewith.

13. ***Notices.*** All communications hereunder, except as may be otherwise specifically provided herein, shall be in writing and, if sent to any Underwriter, shall be mailed, delivered, or telexed or faxed and confirmed in writing, to such Underwriter c/o Bear, Stearns & Co. Inc., 383 Madison Avenue, New York, NY 10179, Attention: Syndicate Department, with a copy to Gibson, Dunn & Crutcher LLP, Attention: William M. Rustum, 200 Park Avenue, 48th Floor, New York, New York 10166; if sent to the Company, shall be mailed, delivered, or telexed or faxed and confirmed in writing to the Company, 17655 Waterview Parkway, Dallas, TX 75252, Attention: Edward J. Heffernan, with a copy to Akin Gump Strauss Hauer & Feld LLP, Attention: Michael E. Dillard, P.C., 1700 Pacific Avenue, Suite 4100, Dallas, TX 75201; and if sent to the Selling Stockholder, shall be mailed, delivered, or telexed or faxed and confirmed in writing to the Selling Stockholder, Limited Commerce Corp., c/o Limited Brands, Inc., Three Limited Parkway, P.O. Box 1600 Columbus, Ohio 43216, Attention: Legal

Department, with a copy to Davis, Polk & Wardwell, Attention: Sarah Beshar, 450 Lexington Avenue, New York, New York 10017.

14. ***Parties.*** This Agreement shall inure solely to the benefit of, and shall be binding upon, the Underwriters, the Company and the Selling Stockholder and the controlling persons, directors, officers, employees and agents referred to in Sections 8 and 9, and their respective successors and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained. The term "successors and assigns" shall not include a purchaser, in its capacity as such, of Shares from any of the Underwriters.

15. ***Governing Law.*** This Agreement shall be governed by and construed in accordance with the laws of the State of New York, but without regard to principles of conflicts of law.

16. ***Counterparts.*** This Agreement may be executed in counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

17. ***Headings.*** The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

If the foregoing correctly sets forth the understanding between you and the Company, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement among us.

Very truly yours,

ALLIANCE DATA SYSTEMS CORPORATION

By: _____

Name:
Title:

LIMITED COMMERCE CORP.

By: _____

Name:
Title:

Accepted as of the date first above written
BEAR, STEARNS & CO. INC.
CREDIT SUISSE FIRST BOSTON LLC
J.P. MORGAN SECURITIES INC.
ADAMS, HARKNESS & HILL, INC.
CIBC WORLD MARKETS CORP.
LEHMAN BROTHERS INC.

By: _____

Name:
Title:

On behalf of themselves and the other
Underwriters named in Schedule I hereto.

SCHEDULE I

Name of Underwriter	Number of Firm Shares to be Purchased
Bear, Stearns & Co. Inc.	
Credit Suisse First Boston LLC	
J.P. Morgan Securities Inc.	
Adams, Harkness & Hill, Inc.	
CIBC World Markets Corp.	
Lehman Brothers Inc.	
Total	9,000,000

SCHEDULE II

Direct and Indirect Subsidiaries

Subsidiary Name	Ownership	Jurisdiction of Incorporation	Jurisdictions Where Qualified to do Business
ADS Alliance Data Systems, Inc.	100%	Delaware	Alabama, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming
Alliance Data Systems, LLC (f/k/a Mutual Energy Service Company, LLC)	100%	Delaware	Ohio, Oklahoma
Alliance Recovery Management, Inc.	100%	Delaware	Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas,

			Utah, Vermont, Virginia, West Virginia, Washington, Wisconsin, and Wyoming

LoyaltyOne, Inc.	100%	Ohio	None
Loyalty Realtime, Inc.	100%	Ohio	None
Enlogix Inc.	100%	Canada	None
Alliance Data L.P (f/k/a Enlogix CIS L.P.)	*	Alberta Canada	None
Loyalty Management Group Canada Inc.	100%	Ontario, Canada	Toronto, Quebec, Alberta, British Columbia
LMG Travel Services Ltd	100%	Ontario, Canada	None
ADS Reinsurance Ltd.	100%	Bermuda	None
ADS Commercial Services, Inc.	100%	Delaware	Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming
ADS MB Corporation	100%	Delaware	Texas
World Financial Network National Bank	100%	National Banking Association	None
WFN Credit Company, LLC	100%	Delaware	Ohio
Alliance Data Systems (New Zealand) Limited	100%	New Zealand	None
Financial Automation Limited	100%	New Zealand	None
Financial Automation Marketing Limited	100%	New Zealand	None

* Enlogix Inc. is a 1% general partner of Alliance Data L.P. and Loyalty Management Group Canada, Inc., is a 99% limited partner in Alliance Data L.P.

SCHEDULE III

Persons to Enter into Lock-Up Agreements

Stockholders
- Welsh, Carson, Anderson & Stowe VII, L.P.
- Welsh, Carson, Anderson & Stowe VIII, L.P.
- Welsh Carson Anderson & Stowe VI, L.P.
- WCAS Capital Partners III L.P.
- WCAS Capital Partners II L.P.
- WCAS Information Partners, L.P.
- Russell L. Carson
- Patrick J. Welsh
- Thomas E. McInernay
- Andrew M. Paul

Officers
- J. Michael Parks
- Ivan M. Szeftel
- John W. Scullion
- Michael A. Beltz
- Edward J. Heffernan
- Dwayne H. Tucker
- Alan M. Utay
- Robert P. Armiak
- Michael D. Kubic
- Richard E. Schumacher, Jr.
- James E. Brown

Directors

Bruce K. Anderson
Roger Ballou
Anthony J. de Nicola
Daniel P. Finkelman
Kenneth R. Jensen
Robert A. Minicucci
Bruce A. Soll

SCHEDULE IV

FORM OF LOCK-UP AGREEMENT

April , 2003

BEAR, STEARNS & CO. INC.
CREDIT SUISSE FIRST BOSTON LLC
J.P. MORGAN SECURITIES INC.
ADAMS, HARKNESS & HILL, INC.
CIBC WORLD MARKETS CORP.
LEHMAN BROTHERS INC.
as Representatives of the
several Underwriters
c/o Bear, Stearns & Co. Inc.
383 Madison Avenue
New York, New York 10179

Re: *Alliance Data Systems Corporation*

Ladies and Gentlemen:

In consideration of the agreement of the several Underwriters (the "***Underwriting Agreement***"), for which Bear, Stearns & Co. Inc., Credit Suisse First Boston LLC, J.P. Morgan Securities Inc., Adams, Harkness & Hill, Inc., CIBC World Markets Corp. and Lehman Brothers Inc. intend to act as Representatives, to underwrite a proposed public offering (the "***Offering***") of shares of common stock (the "***Common Stock***") of Alliance Data Systems Corporation, a corporation organized under the laws of the State of Delaware (the "***Company***"), by the Company and Limited Commerce Corp., as contemplated by a registration statement filed with the Securities and Exchange Commission on Form S-3, the undersigned hereby agrees that the undersigned will not, directly or indirectly, during a period of 180 days from the date of the final prospectus for the Offering (the "***Lock-Up Period***"), without the prior written consent of Bear, Stearns & Co. Inc., (a) offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, pledge, borrow against or otherwise dispose of any Relevant Security (as defined below), and (b) will not establish or increase any "put equivalent position" or liquidate or decrease any "call equivalent position" with respect to any Relevant Security (in each case within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder), or otherwise enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any economic consequence of ownership of a Relevant Security, whether or not such transaction is to be settled by delivery of Relevant Securities, other securities, cash or other consideration, other than the transfer by the undersigned of any Relevant Security to **[for natural persons: [**any member of the undersigned's immediate family or to any trust for the direct or indirect benefit of the undersigned or any member of the undersigned's immediate family, provided that any such transferee agrees to be bound by such conditions and executes and delivers to the Underwriters a lock-up agreement in the form hereof dated the date hereof to indicate such agreement. For the sake of clarity, payment of the exercise price of a stock option on a cashless basis, by reducing the number of shares of Common Stock otherwise issuable to the undersigned, shall not be prohibited by the terms of this agreement as long as no shares of Common Stock, or any other Relevant Security, are transferred or otherwise disposed of to a third party in the process, other than the deemed transfer to the Company of such shares of Common Stock that represent the exercise price for the option.**]] [for Welsh Carson entities: [**any shareholder, partner or member of the undersigned on a *pro rata* basis in accordance with the respective ownership interests of such shareholders, partners or members in the undersigned, provided that any such transferee agrees to be bound by such conditions and executes and

delivers to the Underwriters a lock-up agreement in the form hereof dated the date hereof to indicate such agreement**]]**. As used herein "Relevant Security" means the Common Stock, any other equity security of the Company or any of its subsidiaries and any security convertible into, or exercisable or exchangeable for, any Common Stock or other such equity security.

The undersigned hereby authorizes the Company during the Lock-Up Period to cause any transfer agent for the Relevant Securities to decline to transfer, and to note stop transfer restrictions on the transfer books and records of the Company with respect to, any Relevant Securities for which the undersigned is the record holder and, in the case of any such Relevant Securities for which the undersigned is the beneficial but not the record holder, agrees during the Lock-Up Period to cause the record holder to cause the relevant transfer agent to decline to transfer, and to note stop transfer restrictions on such books and records with respect to, such Relevant Securities.

The undersigned further agrees that, without the prior written consent of Bear Stearns, from the date hereof until the end of the Lock-Up Period, the undersigned will not exercise and will waive his, her or its rights, if any, to require the Company to register any Relevant Securities and to receive notice thereof.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into the agreements set forth herein, and that, upon request, the undersigned will execute any additional documents necessary in connection with enforcement hereof. It is further understood that, if either the Underwriting Agreement is not executed or does not become effective, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Common Stock, the undersigned will be immediately released without any further action on their or its part from their or its obligations under this letter agreement. Any obligations of the undersigned shall be binding upon the successors and assigns of the undersigned.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York. Delivery of a signed copy of this letter by telecopier or facsimile transmission shall be effective as delivery of the original hereof.

Very truly yours,

Name:

QuickLinks

Exhibit 10.1

FIRST AMENDMENT TO
STOCKHOLDERS AGREEMENT

This First Amendment (this "**Amendment**") to the Stockholders Agreement, dated as of June 12, 2001 among Alliance Data Systems Corporation (the "**Issuer**"), Limited Commerce Corp. ("**Limited Commerce**"), Welsh, Carson, Anderson & Stowe VI, L.P. ("**WCAS VI**"), Welsh, Carson, Anderson & Stowe VII, L.P. ("**WCAS VII**"), Welsh, Carson, Anderson & Stowe VIII, L.P. ("**WCAS VIII**"), WCAS Information Partners, L.P. ("**WCAS IP**"), WCAS Capital Partners II LP ("**CP II**") and WCAS Capital Partners III LP ("**CP III**") (the "**Agreement**") is executed and delivered as of April 9, 2003 and will become effective at the time determined in accordance with Section 2 hereof. Capitalized terms used in this Amendment, but not otherwise defined, will have the meanings ascribed in the Agreement.

RECITALS

A. Section 4.01(a) of the Agreement provides, among other things, that (i) WCAS VII shall be entitled, but not required, to designate three members of the Issuer Board so long as it owns more than 20% of the Common Stock then outstanding and (ii) Limited Commerce and its Permitted Transferees (taken as a group) shall be entitled, but not required, to designate (A) two members of the Issuer Board as long as they own more than 10% of the Common Stock then outstanding and (B) one member of the Issuer Board as long as they own between 10% and 5% of the Common Stock then outstanding.

B. Limited Commerce intends to sell at least 7,000,000 shares of the Common Stock held by it in a registered offering on or about April 30, 2003, as a result of which Limited Commerce may own less than 10% of the Common Stock then outstanding (the "***Contemplated Registered Offering***").

C. The parties to the Agreement wish to amend Section 4.01(a) of the Agreement pursuant to Section 5.03(b) of the Agreement to provide that Limited Commerce and its Permitted Transferees (taken as a group) shall be entitled, but not required, to designate (i) two members of the Issuer Board as long as they own more than 9% of the Common Stock then outstanding and (ii) one member of the Issuer Board as long as they own between 9% and 5% of the Common Stock then outstanding if the Contemplated Registered Offering occurs.

STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual agreements, set forth in this Amendment and for other good, valid and binding consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

Section 1. *Amendment*. Section 4.01(a) of the Agreement is hereby amended and restated in its entirety to read as follows:

> SECTION 4.01. *Composition of the Board*. (a) The Issuer Board shall consist of nine members. WCAS VII shall be entitled, but not required, to designate three members of the Issuer Board so long as it owns more than 20% of the Common Stock then outstanding. Limited Commerce and its Permitted Transferees (taken as a group) shall be entitled, but not required, to designate two members of the Issuer Board as long as they own more than 9% of the Common Stock then outstanding. Limited Commerce's right to designate members of the Issuer Board pursuant to this Section 4.01 shall terminate at such time as Limited Commerce and its Permitted Transferees (taken as a group) hold less than 5% of the Common Stock then outstanding. Limited Commerce and its Permitted Transferees (taken as a group) shall be entitled, but not required, to designate one member of the Issuer Board, as long as they own between 9% and 5% of the Common Stock then outstanding. Each Holder entitled to vote for the election of the directors to the Board agrees that it will vote all of its Voting Securities or execute consents, as the case may

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> be, and take all other necessary action (including causing the Issuer to call a special meeting of stockholders) in order to ensure that the composition of the Board is as set forth in this Section 4.01(a).

Section 2. *Effectiveness*. This Amendment shall become effective upon the closing of the Contemplated Registered Offering. In the event that the closing of the Contemplated Registered Offering has not occurred by June 30, 2003, this Amendment shall terminate and be of no further force or effect.

Section 3. *Headings*. The headings in this Amendment are for convenience of reference only and shall not control or affect the meaning or construction of any provisions hereof.

Section 4. *Applicable Law*. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of law principles.

Section 5. *Original Agreement*. Except as amended or modified pursuant to this Amendment, the terms of the Agreement shall remain in full force and effect.

Section 6. *Counterparts*. This Amendment may be executed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ALLIANCE DATA SYSTEMS CORPORATION

/s/ J. MICHAEL PARKS

By: J. Michael Parks, Chairman, President and Chief Executive Officer

LIMITED COMMERCE CORP.

By: /s/ DAVID H. HASSON

Name: David H. Hasson

Title: Vice President

WELSH, CARSON, ANDERSON & STOWE VI, L.P.

By: /s/ JONATHAN M. RATHER

Jonathan M. Rather, Attorney-in-Fact

WELSH, CARSON, ANDERSON & STOWE VII, L.P.

By: WCAS VII Partners, L.P., General Partner

/s/ JONATHAN M. RATHER

Jonathan M. Rather, General Partner

WELSH, CARSON, ANDERSON & STOWE VIII, L.P.

By: WCAS VIII Associates LLC, General Partner

/s/ JONATHAN M. RATHER

Jonathan M. Rather, Managing Member

WCAS INFORMATION PARTNERS, L.P.

By: /s/ JONATHAN M. RATHER

Jonathan M. Rather, Attorney-in-Fact

WCAS CAPITAL PARTNERS II LP

By: /s/ JONATHAN M. RATHER

Jonathan M. Rather, Attorney-in-Fact

WCAS CAPITAL PARTNERS III LP

By: WCAS CP III Associates LLC, General Partner

/s/ JONATHAN M. RATHER

Jonathan M. Rather, Managing Member

QuickLinks

Use these links to rapidly review the document
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Exhibit 10.2

U.S. $150,000,000

CREDIT AGREEMENT (3-YEAR)

dated as of April 10, 2003

among

ALLIANCE DATA SYSTEMS CORPORATION,
as Borrower,

THE GUARANTORS PARTY HERETO,

THE BANKS PARTY HERETO,

HARRIS TRUST AND SAVINGS BANK,
as Letter of Credit Issuer,

and

HARRIS TRUST AND SAVINGS BANK,
as Administrative Agent

SUNTRUST CAPITAL MARKETS, INC.

and

BMO NESBITT BURNS,
as Joint-Lead Arrangers

and

SUNTRUST BANK,
as Syndication Agent

and

US Bookrunner

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THIS CREDIT AGREEMENT (3-YEAR), dated as of April 10, 2003, is entered into by and among ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (the "*Borrower*"), the Guarantors from time to time party hereto, the BANKS from time to time party hereto, and HARRIS TRUST AND SAVINGS BANK, as Administrative Agent and Letter of Credit Issuer.

WHEREAS, the Borrower has requested that the Banks provide a 3-Year credit facility to the Borrower on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following terms, as used herein, have the following meanings:

"*Administrative Agent*" means Harris Trust and Savings Bank in its capacity as agent for the Banks hereunder, and its successors in such capacity.

"*ADSI*" means ADS Alliance Data Systems, Inc., a Delaware corporation.

"*ADSNZ*" means ADSNZ Alliance Data Systems New Zealand, a New Zealand corporation.

"*Affected Loans*" has the meaning set forth in Section 2.11(c).

"*Affiliate*" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "*Controlling Person*") or (ii) any Person (other than the Borrower or a Subsidiary thereof) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to vote 10% or more of any class of voting securities of a Person or to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise. The Affiliate of a Person shall include any officer or director of such Person.

"*Agreement*" means this Credit Agreement (3-Year), as modified, supplemented, amended, restated (including any amendment and restatement hereof), extended, renewed or refinanced from time to time.

"*Applicable Commitment Fee Percentage*" means a rate per annum equal to the applicable rate specified in the pricing schedule attached hereto as Appendix 1.

"*Applicable Lending Office*" means, with respect to any Bank, (i) in the case of its Base Rate Loans, its Domestic Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

"*Assignment and Assumption Agreement*" means an appropriately completed Assignment and Assumption Agreement in the form of Exhibit A hereto.

"*Bank*" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 11.6(c), and their respective successors.

"*Base Rate*" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of $^{1}/_{2}$ of 1% plus the Federal Funds Rate for such day.

"*Base Rate Loan*" means (i) a Loan which bears interest at the Base Rate pursuant to the provisions of Articles 2 or 9 hereof or (ii) an overdue amount which was a Base Rate Loan immediately before it became overdue.

"*Base Rate Margin*" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"*Beneficiaries*" has the meaning set forth in Section 10.1.

"*Benefit Arrangement*" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"*Borrower*" has the meaning provided in the first paragraph of this Agreement.

"*Borrowing*" has the meaning set forth in Section 1.3.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in Chicago, Illinois are authorized by law to close and, if the applicable Business Day relates to an advance or continuation of, or conversion into, or payment of, a Euro-Dollar Loan, on which commercial banks are open for international business (including dealing in U.S. Dollar deposits) in London, England.

"*Canadian Credit Agreement*" means the Canadian Credit Agreement dated as of April 10, 2003 among Loyalty Management, the guarantors from time to time party thereto, the financial institutions from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent, as the same may be amended, modified, supplemented, replaced or refinanced from time to time.

"*Canadian Pledge Agreement*" means the Pledge Agreement, dated as of April 10, 2003, by and between the Borrower, Loyalty Management, ADSI and the Collateral Agent, as such agreement may be amended, modified or supplemented from time to time.

"*Canadian Scheme License*" means the Amended and Restated License to Use and Exploit the Air Miles Scheme in Canada, made as of July 24, 1998, between Air Miles International Trading B.V. and Loyalty Management, as such may be amended from time to time.

"*Canadian Trademark License*" means the Amended and Restated License to Use the Air Miles Trade Marks in Canada, dated July 24, 1998, between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc., as such may be amended from time to time.

"*Change of Control*" means (i) the Borrower shall cease to own and control 100% of the capital stock of Loyalty Management, (ii) the Borrower shall cease to own and control 100% of the capital stock of WFNNB or (iii) the acquisition by any "*person*" or "*group*" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) at any time of beneficial ownership of 30% or more of the outstanding Voting Stock of the Borrower on a

fully-diluted basis, other than acquisitions of such interests by the Welsh, Carson, Anderson & Stowe Partnerships or The Limited; *provided*, that common stock owned by employees (either individually or through employee stock ownership or other stock based benefit plans) of the Borrower and its Subsidiaries shall not be included in the calculation of ownership interests for purposes of this definition or any "change of control."

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect on the Effective Date and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"*Collateral*" means the "Collateral," as defined in the Pledge Agreements.

"*Collateral Agent*" means Harris Trust and Savings Bank, acting as Collateral Agent on behalf of the Secured Creditors, and its successors in such capacity.

"*Commitment*" means, (i) with respect to each Bank listed on the signature pages hereof, the amount set forth opposite its name on Schedule I hereto under the heading "Commitment" and (ii) with respect to each assignee that becomes a Bank pursuant to Section 11.6(c), the amount of the Commitment thereby assumed by it, in each case as such amount may be increased pursuant to

Section 2.16, increased or reduced from time to time pursuant to Section 11.6(c) or reduced from time to time pursuant to Section 2.8.

"*Commitment Amount Increase*" has the meaning set forth in Section 2.16.

"*Commitment Amount Increase Request*" means a Commitment Amount Increase Request in the form of Exhibit D.

"*Consolidated Capital Expenditures*" of any Person means, for any period, the additions to property, plant and equipment and other capital expenditures of such Person and its Consolidated Subsidiaries for such period, as the same are or would be set forth in a consolidated statement of cash flows of such Person and its Consolidated Subsidiaries for such period.

"*Consolidated Debt*" of any Person means, at any date, the Debt of such Person and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"*Consolidated EBIT*" of any Person means, for any period, Consolidated Net Income of such Person for such period, adjusted by adding thereto the Total Interest Expense determined on a consolidated basis and taxes based on income, all with respect to such period.

"*Consolidated Interest Expense*" of any Person means, for any period, the Total Interest Expense of such Person and its Consolidated Subsidiaries determined on a consolidated basis for such period.

"*Consolidated Net Income*" of any Person means, for any fiscal period, the net income of such Person and its Consolidated Subsidiaries, determined on a consolidated basis for such period, exclusive of the effect of any extraordinary or other nonrecurring gain and loss and excluding all non-cash adjustments; *provided that* any cash payment made (or received) with respect to any such non-cash charge, expense or loss shall be subtracted (added) in computing Consolidated Net Income during the period in which such cash payment is made (or received).

"*Consolidated Net Worth*" of any Person means at any date the consolidated stockholders' equity of such Person and its Consolidated Subsidiaries.

"*Consolidated Operating EBITDA*" of any Person means, for any fiscal period, Consolidated EBIT for such Person for such period, adjusted by (i) adding thereto the amount of all depreciation and amortization expenses that were deducted in determining Consolidated EBIT, (ii) adding thereto the change from the prior period in the Deferred Revenue Account, and (iii) subtracting therefrom the change from the prior period in the Restricted Cash Account.

"*Consolidated Subsidiary*" of any Person means, at any date, any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date.

"*Consolidated Total Assets*" of any Person means total assets of such Person and its Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles.

"*Credit Document*" means this Agreement, the Notes, the Pledge Agreements, the Related Credit Agreement, the Canadian Credit Agreement, the WFNNB Note and each other document (including any additional guarantees) executed or delivered in connection herewith or therewith.

"*Credit Party*" shall mean each Borrower, each Guarantor, and with respect to its obligations under the WFNNB Note only, WFNNB.

"*Debt*" of any Person means at any date, without duplication (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of

property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all non-contingent obligations (and, for purposes of Section 6.9, Section 6.15 and the definitions of "Material Debt" and "Material Financial Obligations," all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vi) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, and (vii) all Debt of others Guaranteed by such Person, but excluding Qualifying Deposits.

"*Default*" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"*Deferred Revenue Account*" means the account on the consolidating balance sheet of the Borrower associated solely with the change in revenue recognition by Loyalty Management as required by the Securities and Exchange Commission of the United States of America.

"*Delinquency Ratio*" means, for any calendar month, the percentage equivalent of a fraction (a) the numerator of which is the aggregate amount of all Managed Receivables the minimum payments on which are more than 90 days contractually overdue and (b) the denominator of which is all Managed Receivables, in each case determined as of the last day of such calendar month.

"*Derivatives Obligations*" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions), any transaction whose value is derived from another asset or security, or any combination of the foregoing transactions.

"*Dollars*" and "*$*" means freely transferable lawful money of the United States of America.

"*Domestic Lending Office*" means, as to each Bank, its office identified as such on the signature page hereto or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent.

"*Domestic Subsidiary*" means any Subsidiary of the Borrower incorporated or organized in the United States or any state or territory thereof.

"*Effective Date*" means April 10, 2003.

"*Eligible Transferee*" means and includes a commercial bank, insurance company, financial institution, fund or other Person (other than a natural person) which regularly purchases interests in loans or extensions of credit of the types made pursuant to this Agreement, any other Person (other than a natural person) which would constitute a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act as in effect on the Effective Date or other "accredited investor" (other than a natural person) (as defined in Regulation D of the Securities Act).

"*Environmental Laws*" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal,

transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the cleanup or other remediation thereof.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"*ERISA Group*" of any Person means such Person, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Code.

"*Euro-Dollar Lending Office*" means, as to each Bank, its office, branch or affiliate identified as such on the signature pages hereto or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

"*Euro-Dollar Loan*" means (i) a Revolving Loan which bears interest at a Euro-Dollar Rate or (ii) an overdue amount which was a Euro-Dollar Loan immediately before it became overdue.

"*Euro-Dollar Margin*" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"*Euro-Dollar Rate*" means a rate of interest determined pursuant to Section 2.6(b) on the basis of the London Interbank Offered Rate.

"*Event of Default*" has the meaning set forth in Section 7.1.

"*Existing Credit Facilities*" means (i) that certain Amended and Restated Credit Agreement, dated as of July 24, 1998 and amended and restated as of October 22, 1998, among the Borrower, Loyalty Management, the guarantors from time to time party thereto, the banks from time to time party thereto and Harris Trust and Savings Bank, as administrative agent, as amended to the Effective Date, and (ii) that certain 364-Day Credit Agreement, dated as of May 22, 2002, by and among the Borrower, Loyalty Management, the guarantors from time to time party thereto, the banks from time to time party thereto and Harris Trust and Savings Bank, as administrative agent.

"*Federal Funds Rate*" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided*, that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"*Foreign Pension Plan*" means any plan, fund (including, without limitation, any superannuation fund) or other similar program established or maintained outside the United States of America by the Borrower or any one or more of its Subsidiaries primarily for the benefit of employees of the Borrower or such Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"*Foreign Subsidiary*" means each Subsidiary of the Borrower other than a Domestic Subsidiary.

"*Guaranteed Obligations*" has the meaning set forth in Section 10.1.

"*Guarantor*" means ADSI and each other direct and indirect Material Domestic Subsidiary of the Borrower that becomes a Guarantor from time to time after the Effective Date pursuant to Section 6.25.

"*Guarantor Supplement*" means an appropriately completed Guarantor Supplement substantially in the form of Exhibit C hereto.

"*Guaranty*" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the holder of such Debt of the payment thereof to protect such holder against loss in respect thereof (in whole or in part), *provided*, that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranty" used as a verb has a corresponding meaning.

"*Hazardous Substances*" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"*Hostile Acquisition*" means the acquisition of the capital stock or other equity interests of a Person through a tender offer or similar solicitation of the owners of such capital stock or other equity interests which has not been approved (prior to such acquisition) by resolutions of the Board of Directors of such Person or by similar action if such Person is not a corporation, and as to which such approval has not been withdrawn.

"*Indemnitee*" has the meaning set forth in Section 11.3(b).

"*Insured Subsidiary*" means a Subsidiary of the Borrower which is an "insured depository institution" under and as defined in the Federal Deposit Insurance Act (12 U.S.C. 1813(c)(2)) or any successor statute.

"*Intellectual Property*" has the meaning set forth in Section 4.12.

"*Intercompany Note*" means a promissory note made by an Insured Subsidiary other than WFNNB payable to the order of the Borrower or any of its Domestic Subsidiaries (other than an Insured Subsidiary or a Qualified Securitization Subsidiary or a Subsidiary of a Foreign Subsidiary, Insured Subsidiary or Qualified Securitization Subsidiary).

"*Intercreditor Agreement*" means the Intercreditor and Collateral Agency Agreement dated as of April 10, 2003, among the Collateral Agent, the financial institutions party to the Related Credit Agreement, the financial institutions party to the Canadian Credit Agreement and the Banks party hereto, as such may be amended from time to time.

"*Interest Coverage Ratio*" of any Person means, for any period, the ratio of Consolidated Operating EBITDA of such Person for such period to Consolidated Interest Expense of such Person for such period.

"*Interest Period*" means with respect to each Euro-Dollar Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the

applicable Notice of Interest Period Election and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; *provided* that:

(i) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month; and

(iii) any Interest Period which would otherwise end after the Maturity Date shall end on the Maturity Date (unless such date is not a Business Day, in which case such Interest Period shall end on the latest Business Day to occur prior to the Maturity Date).

"*Investment*" means any investment in any Person, whether by means of share purchase, capital contribution, loan, Guaranty, time deposit or otherwise (but not including any demand deposit).

"*L/C Participant*" has the meaning set forth in Section 2A.5.

"*L/C Supportable Obligations*" means and includes obligations of the Borrower or its Subsidiaries incurred in the ordinary course of business as are reasonably acceptable to the Administrative Agent and the respective Letter of Credit Issuer and otherwise permitted to exist pursuant to the terms of this Agreement.

"*Letter of Credit*" has the meaning set forth in Section 2A.1(a).

"*Letter of Credit Commitment*" means $35,000,000, as the same may be reduced from time to time pursuant to Section 2.8.

"*Letter of Credit Fee*" has the meaning set forth in Section 2.7(b).

"*Letter of Credit Issuer*" means Harris Trust and Savings Bank in its individual capacity and any Bank which at the request of the Borrower and with the consent of the Administrative Agent agrees, in such Bank's sole discretion, to become a Letter of Credit Issuer for the purpose of issuing Letters of Credit. The sole Letter of Credit Issuer on the Effective Date is Harris Trust and Savings Bank in its individual capacity.

"*Letter of Credit Outstandings*" means, at any time, the sum of, without duplication, (i) the aggregate Stated Amount of all outstanding Letters of Credit and (ii) the aggregate amount of all Unpaid Drawings in respect of all Letters of Credit.

"*Letter of Credit Request*" has the meaning set forth in Section 2A.3(a).

"*License Agreements*" means the Canadian Trademark License, the US Trademark License, the Canadian Scheme License, and the US Scheme License.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"*Loan*" means a loan made by a Bank pursuant to Section 2.1; *provided,* that if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate

Election, the term "*Loan*" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"*London Interbank Offered Rate*" means, for any Interest Period, with respect to any Euro-Dollar Loan, either (i) the rate per annum (rounded upward, if necessary to the next higher 1/100 of 1%) for deposits in Dollars for a period equal to such Interest Period, which appears on Telerate Page 3750 (or any successor page) as of 11:00 a.m. (London, England time) on the day two Business Days before the commencement of such Interest Period or (ii) if the rate in clause (i) of this definition is not shown for any particular day, the rate per annum (rounded upward, if necessary, to the next higher 1/100 of 1%) at which deposits in Dollars are offered to the Administrative Agent in the London interbank market at approximately 11:00 a.m. (London, England time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loans of the Administrative Agent to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"*Loyalty Management*" means Loyalty Management Group Canada Inc., an Ontario corporation.

"*Managed Receivables*" of any Person means for any date all credit card receivables originated by such Person as of such date regardless of whether such credit card receivables are determined, with respect to such Person's financial statements, to be "on-balance sheet" or "off-balance sheet."

"*Material Debt*" means Debt (other than the Loans hereunder) (i) of a Person and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding $25,000,000, (ii) under the Related Credit Agreement and (iii) under the Canadian Credit Agreement.

"*Material Domestic Subsidiary*" means each direct or indirect Domestic Subsidiary which (i) owned as of the end of the most recently completed fiscal quarter (or, in the case of an acquired Subsidiary, on a *pro forma* basis would have owned) assets that represent in excess of 10% of the Consolidated Total Assets of the Borrower as of the end of such fiscal quarter or (ii) generated (or, in the case of an acquired Subsidiary, on a *pro forma* basis would have generated) annual revenues in excess of 10% of the consolidated total revenues for the Borrower and its Consolidated Subsidiaries for the most recently completed fiscal year.

"*Material Financial Obligations*" of any Person means a principal or face amount of Debt and/or payment or collateralization obligations in respect of Derivatives Obligations of such Person and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, exceeding in the aggregate $25,000,000.

"*Material Plan*" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $10,000,000.

"*Maturity Date*" means April 10, 2006.

"*Multiemployer Plan*" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"*Note*" means any Revolving Note and the Swing Note.

"*Notice of Borrowing*" has the meaning set forth in Section 2.2.

"*Notice of Interest Period Election*" has the meaning set forth in Section 2.9.

"*Obligations*" means (i) all amounts owing to the Administrative Agent, the Collateral Agent or any Bank pursuant to the terms of this Agreement or any other Credit Document and (ii) so long as there are amounts owing under clause (i), Derivative Obligations from time to time owed to a Person that, at the time of incurrence thereof, was a Bank or an Affiliate of a Bank.

"*Parent*" means, with respect to any Bank, any Person controlling such Bank.

"*Participant*" has the meaning set forth in Section 11.6(b).

"*Payment Office*" means the office of the Administrative Agent located at 111 West Monroe Street, Chicago, Illinois 60603, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"*PBGC*" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"*Percentage*" means at any time for each Bank with a Commitment, the percentage obtained by dividing such Bank's Commitment by the Total Commitment, *provided* that if the Total Commitment has been terminated, the Percentage of each Bank shall be determined by dividing such Bank's Commitment immediately prior to such termination by the Total Commitment immediately prior to such termination.

"*Permitted Subordinated Debt*" means subordinated Debt of the Borrower, *provided* that (i) the Administrative Agent and the Banks shall have been given prompt notice of the issuance of such Debt, together with a certificate signed by a senior financial officer of the Borrower showing *pro forma* compliance with the financial covenants contained in Sections 6.11 and 6.13 after giving effect to such issuance of Debt, (ii) such Debt shall be expressly subordinated in right of payment to the Obligations in a manner reasonably acceptable to the Administrative Agent, (iii) such Debt shall be unsecured and unguaranteed other than guarantees issued by a Guarantor which are subordinated in right of payment to the obligations of such Guarantor hereunder pursuant to subordination terms reasonably acceptable to the Administrative Agent, (iv) such Debt shall have a maturity not earlier than the date which is six months after the latest of the Maturity Date and the final maturity of the loans outstanding under the Related Credit Agreement or Canadian Credit Agreement and no amortization or sinking fund payments shall be required in respect of such Debt prior to such date and (v) no covenant or default applicable to such debt shall be more restrictive than those contained in this Agreement and the subordination provisions, covenants and defaults pertaining to such Debt, taken as a whole, shall be no more restrictive, and no less favorable to the Banks, than those customarily applicable to publicly issued subordinated indebtedness. "*Permitted Subordinated Debt*" shall include any Guaranties thereof permitted under clause (iii) above.

"*Person*" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"*Plan*" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"*Pledge Agreement*" means the Pledge Agreement, dated as of April 10, 2003, by and between the Borrower, the Guarantors, and the Collateral Agent, as such agreement may be amended, modified or supplemented from time to time.

"*Pledge Agreements*" means the Pledge Agreement and the Canadian Pledge Agreement.

"*Prime Rate*" means the rate of interest announced or otherwise established by the Administrative Agent from time to time as its Prime Rate.

"*Qualified Securitization Subsidiary*" means a Subsidiary that is a special purpose entity used in connection with a Qualified Securitization Transaction.

"*Qualified Securitization Transaction*" means a securitization or other sale or financing of credit card receivables.

"*Qualifying Deposits*" means deposits that are (i) insured by the Federal Deposit Insurance Corporation and (ii) do not exceed the difference between (A) the amount of seller's interest and credit card receivables *minus* (B) the allowance for doubtful accounts related to seller's interest and credit card receivables, in each case as shown on the consolidated balance sheet of the Borrower and its Subsidiaries.

"*Quarterly Dates*" has the meaning set forth in Section 2.6(a).

"*Refunded Swing Loans*" has the meaning set forth in Section 2.1(c).

"*Refunding Date*" has the meaning set forth in Section 2.1(d).

"*Refunding Swing Loan*" has the meaning set forth in Section 2.1(c).

"*Regulation U*" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"*Related Credit Agreement*" that certain Credit Agreement (364-Day) dated as of April 10, 2003, by and among the Borrower, the guarantors from time to time party thereto, the financial institutions from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent for such financial institutions, as the same may be amended, modified, supplemented, replaced or refinanced from time to time.

"*Required Banks*" means Banks the sum of whose outstanding Commitments (or after the termination thereof, outstanding Revolving Loans and Percentages of Swing Loans and Letter of Credit Outstandings) represent an amount greater than 50% of the sum of the Total Commitment (or after the termination thereof, the sum of the total outstanding Revolving Loans and Percentages of Swing Loans and Letter of Credit Outstandings at such time).

"*Reserve Percentage*" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency Liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans, is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents).

"*Restricted Acquisition*" means any acquisition, whether in a single transaction or series of related transactions, by the Borrower or any one or more of its Subsidiaries, or any combination thereof, of (i) all or a substantial part of the assets, or all or any substantial part of a going business or division, of any Person, whether through purchase of assets or securities, by merger or otherwise, (ii) control of securities of an existing corporation or other Person having ordinary

voting power (apart from rights accruing under special circumstances) to elect a majority of the board of directors of such corporation or other Person or (iii) control of a greater than 50% ownership interest in any existing partnership, joint venture or other Person).

"*Restricted Cash*" means cash required by the Borrower and its Subsidiaries to fund securitization spread accounts, cash collateral accounts relating to securitization of credit card receivables, excess funding accounts relating to securitization of credit card receivables and cash restricted to fund future Air Miles redemptions.

"*Restricted Cash Account*" means the account on the consolidating balance sheet of the Borrower related solely to redemption settlement assets of Loyalty Management's "Air Miles Program."

"*Restricted Payment*" means (i) any dividend or other distribution on any shares of a Person's (including any Credit Party's) capital stock (except dividends or distributions payable solely in shares of its capital stock and except dividends and distributions payable to the Borrower or any of its Subsidiaries) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of a Person's (including any Credit Party's) capital stock or (b) any option, warrant or other right to acquire shares of a Person's capital stock (but not including (1) payments of principal, premium (if any) or interest made pursuant to the terms of convertible debt securities prior to conversion, (2) payments made to the Borrower or any of its Subsidiaries, and (3) payments made solely in shares of (or solely out of the net proceeds of a substantially concurrent issuance of) such Person's (including any Credit Party's) capital stock or options, warrants or other rights to acquire shares of such Persons' (including any Credit Party's) capital stock).

"*Revolving Loan*" has the meaning set forth in Section 2.1(a).

"*Revolving Note*" has the meaning set forth in Section 2.4(a).

"*Secured Creditors*" has the meaning set forth in the Pledge Agreements.

"*Senior Leverage Ratio*" means, at any time, the ratio of (x) all amounts owing by the Borrower and its Subsidiaries pursuant to the terms of this Agreement or any other Credit Document, the Related Credit Agreement or the Canadian Credit Agreement to the agents and the lenders thereunder to (y) Consolidated Operating EBITDA of the Borrower and its Subsidiaries for the twelve months then most recently ended.

"*Stated Amount*" of each Letter of Credit means the maximum amount available to be drawn thereunder (regardless of whether any conditions for drawing could then be met).

"*Subsidiary*" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Borrower.

"*Swing Borrowing*" means a Borrowing pursuant to subsection 2.1(b).

"*Swing Lender*" means Harris Trust and Savings Bank and any other Bank which agrees in its sole discretion, with the consent of the Administrative Agent and the Borrower, to replace Harris Trust and Savings Bank as the Swing Lender hereunder.

"*Swing Loan Commitment*" means $35,000,000, as the same may be reduced from time to time pursuant to Section 2.8.

"*Swing Loan Refund Amount*" has the meaning set forth in subsection 2.1(c).

"*Swing Loans*" has the meaning set forth in Section 2.1(b).

"*Swing Margin*" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"*Swing Note*" has the meaning set forth in Section 2.4(a).

"*The Community Reinvestment Act*" means The Community Reinvestment Act of 1977 (12 U.S.C. 2901 *et seq.*) as amended.

"*The Limited*" means Limited Commerce Corp., a Delaware corporation and its successors and assigns.

"*Total Capitalization Ratio*" means, for any Person, the ratio of (x) Consolidated Debt of such Person at such time to (y) the sum of (i) Consolidated Debt of such Person at such time *plus* (ii) Consolidated Net Worth of such Person at such time.

"*Total Commitment*" means the aggregate amount of the Commitments of each of the Banks.

"*Total Interest Expense*" means, for any Person, interest paid on a consolidated basis with respect to all outstanding indebtedness including, without limitation, capital leases (in accordance with generally accepted accounting principles), all commissions, discounts and other fees and charges owed in connection with letters of credit or lines of credit, net payments under interest rate protection agreements, amortization of deferred financing costs, original issue discounts and any interest expense relating to deferred compensation arrangements.

"*Type*" means the type of Loan determined according to the interest option applicable thereto; *i.e.*, whether a Base Rate Loan or a Euro-Dollar Loan.

"*Unfunded Liabilities*" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"*Unpaid Drawing*" has the meaning set forth in Section 2A.4(a).

"*United States*" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"*US Scheme License*" means the Amended and Restated License to Use and Exploit the Air Miles Scheme in the United States, dated July 24, 1998, between Air Miles International Trading B.V. and the Borrower, as such agreement may be amended from time to time.

"*US Trademark License*" means the Amended and Restated License to Use the Air Miles Trade Marks in the United States, dated July 24, 1998, between Air Miles International Holdings B.V. and the Borrower, as such agreement may be amended from time to time.

"*Voting Stock*" of any Person means the equity interests of such Person that are, under ordinary circumstances, entitled to vote in the election of the board of directors or other persons performing similar functions of such Person.

"*WCAS Subordinated Note*" means the 10% Subordinated Note due September 15, 2008, dated September 15, 1998, issued by the Borrower to WCAS Capital Partners III, L.P. in the principal amount of $52,000,000.

"*Welsh, Carson, Anderson & Stowe Partnerships*" means each Welsh, Carson, Anderson & Stowe limited partnership, as constituted on the Effective Date, as may be constituted in the future

and any partner, partnership or Affiliate of any of them and their respective successors and assigns.

"*WFNNB*" means World Financial Network National Bank, a limited purpose national banking association wholly owned by the Borrower.

"*WFNNB Note*" means a promissory note made by WFNNB payable to the order of the Borrower or any of its Domestic Subsidiaries (other than an Insured Subsidiary or a Qualified Securitization Subsidiary or a Subsidiary of a Foreign Subsidiary, Insured Subsidiary or Qualified Securitization Subsidiary).

"*Wholly-Owned Subsidiary*" means, as to any Person, any corporation or other entity 100% of whose Voting Stock (other than director's qualifying shares) is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person.

Section 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Banks; *provided* that, (i) all calculations of financial covenants and corresponding accounting terms shall include for all periods covered thereby *pro forma* adjustments for the (x) actual historical financial performance of and (y) identifiable cost savings associated with providing data processing services to any entities acquired as permitted under Section 6.21(b) and (ii) if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article 6 to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Banks wish to amend Article 6 for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Banks.

Section 1.3. Types of Borrowings. The term "*Borrowing*" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article 2 on the same date, all of which Loans are of the same Type (subject to Article 9) and, except in the case of Base Rate Loans, have the same initial Interest Period.

ARTICLE 2

THE CREDITS

Section 2.1. Commitments to Lend. (a) *Revolving Loans.* At any time on or after the Effective Date and prior to the Maturity Date, each Bank with a Commitment severally agrees, on the terms and conditions set forth in this Agreement, to make loans (each a "*Revolving Loan*" and, collectively, the "*Revolving Loans*") to the Borrower pursuant to this Section from time to time in U.S. Dollars in amounts such that the aggregate principal amount of all Revolving Loans made by such Bank to the Borrower at any one time outstanding, when combined with such Bank's Percentage of Swing Loans and Letter of Credit Outstanding at such time, shall not exceed the amount of its Commitment. Each Borrowing under this Section shall be in an amount equal to $5,000,000 or any larger multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the then unutilized Commitment) and shall be made from the several Banks ratably in proportion to their respective Commitments. Revolving Loans shall either be Base Rate Loans or Euro-Dollar Loans. Within the

foregoing limits, the Borrower may borrow under this Section, prepay Revolving Loans to the extent permitted by Section 2.10, and reborrow at any time prior to the Maturity Date.

(b) *Swing Loans*. From time to time on or after the Effective Date and prior to the Maturity Date, the Swing Lender agrees, on the terms and conditions set forth in this Agreement, to make loans (each a "*Swing Loan*" and, collectively, the "*Swing Loans*") to the Borrower pursuant to this Section 2.1(b) in amounts such that (i) the aggregate principal amount of Swing Loans made by the Swing Lender to the Borrower does not at any time exceed the Swing Loan Commitment of the Swing Lender and (ii) the sum of the aggregate outstanding principal amount of all Revolving Loans and Swing Loans at such time, when added to the Letter of Credit Outstandings at such time, does not exceed the Total Commitment. Each Borrowing under this Section 2.1(b) shall be in a principal amount of at least $5,000,000. Within the foregoing limits, the Borrower may borrow under this Section 2.1(b), repay or, to the extent permitted by Section 2.10, prepay Swing Loans and reborrow at any time prior to the Maturity Date.

(c) *Refunding of Swing Loans with Syndicated Loans.* *Provided* that no condition described in Section 3.2 was knowingly waived by the Swing Lender with respect to the making of such Swing Loan, the Swing Lender, at any time and from time to time in its sole and absolute discretion, may on behalf of the Borrower

(which hereby irrevocably directs the Swing Lender to act on its behalf), on notice given by the Swing Lender no later than 10:30 A.M. (Chicago time) on the proposed date of Borrowing for the Base Rate Loans referred to below, request each Bank to make, and each Bank hereby agrees to make, a Revolving Loan which shall be a Base Rate Loan (a "*Refunding Swing Loan*") under Section 2.1(a) in an amount (with respect to each Bank, its "*Swing Loan Refund Amount*") equal to such Bank's Percentage of the aggregate principal amount of such Swing Loans (the "*Refunded Swing Loans*") outstanding on the date of such notice, to repay the Swing Lender. Unless any of the events described in Section 7.1(g) or (h) with respect to the Borrower shall have occurred and be continuing or the Commitments shall have been terminated in full (in which case the procedures of Section 2.1(d) shall apply), each Bank shall make such Base Rate Loan available to the Administrative Agent at its address specified in or pursuant to Section 11.1 in immediately available funds, not later than 12:00 Noon (Chicago time), on the date of such notice. The Administrative Agent shall pay the proceeds of such Base Rate Loans to the Swing Lender, which shall immediately apply such proceeds to repay its Refunded Swing Loans. Effective on the day such Base Rate Loans are made, the portion of the Swing Loans so paid shall no longer be outstanding as Swing Loans, shall no longer be due as Swing Loans under the Swing Note held by the Swing Lender, and shall be due as Base Rate Loans under the respective Revolving Notes issued to the Banks (including the Swing Lender) in accordance with their respective ratable share of the Commitments. The Borrower authorizes the Swing Lender to charge the Borrower's accounts with the Administrative Agent (up to the amount available in each such account) in order to immediately pay the amount of such Refunded Swing Loans to the extent amounts received from the Banks are not sufficient to repay in full such Refunded Swing Loans. The Swing Lender agrees to give notice to the Borrower should it decide to refund Swing Loans with Revolving Loans pursuant to this subsection 2.1(c); *provided,* that such Swing Lender's failure to give such notice (or any delay therein) does not affect the validity or the effectiveness of such Notice of Borrowing or the refunding of Swing Loans pursuant thereto.

(d) *Purchase of Participations in Swing Loans.* *Provided* that no condition described in Section 3.2 was knowingly waived by the Swing Lender with respect to the making of such Swing Loan, if prior to the time Revolving Loans would have otherwise been made pursuant to Section 2.1(c), one of the events described in Section 7.1(g) or (h) with respect to the Borrower shall have occurred and be continuing or the Commitments shall have been terminated in full, each Bank shall, on the date such Base Rate Loans were to have been made pursuant to the notice referred to in Section 2.1(c) (the "*Refunding Date*"), purchase an undivided participating interest in the Swing Loans in an amount equal to such Bank's Swing Loan Refund Amount. On and after the Refunding Date, the related Swing Loan

will accrue interest as though such Swing Loan were a Base Rate Loan. On the Refunding Date, each Bank shall transfer to the Swing Lender, in immediately available funds, such Bank's Swing Loan Refund Amount, and upon receipt thereof such Bank shall be deemed to have purchased an undivided participating interest in such Swing Loans as of such date of receipt, in the Swing Loan Refund Amount of such Bank.

(e) *Payments on Participated Swing Loans.* At any time after a Swing Lender has received from any Bank such Bank's Swing Loan Refund Amount pursuant to Section 2.1(d) and such Swing Lender receives any payment on account of the Swing Loans in which the Banks have purchased participations pursuant to Section 2.1(d), such Swing Lender will promptly distribute to each such Bank its ratable share (determined on the basis of the Swing Loan Refund Amounts of all of the Banks) of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Bank's participating interest was outstanding and funded); *provided, however*, that in the event that such payment received by such Swing Lender is required to be returned, such Bank will return to such Swing Lender any portion thereof previously distributed to it by such Swing Lender.

(f) *Obligations to Refund or Purchase Participations in Swing Loans Absolute.* Each Bank's obligation to transfer the amount of a Base Rate Loan to the Swing Lender as provided in Section 2.1(c) or to purchase a participating interest pursuant to Section 2.1(d) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Bank, or any other Person may have against the Swing Lender or any other Person, (ii) the occurrence or continuance of a Default or the reduction of the Commitments, (iii) any adverse change in the condition (financial or otherwise) of any Credit Party or Subsidiary of a Credit Party or any other Person, (iv) any breach of this Agreement by a Credit Party, any other Bank or any other Person or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

Section 2.2. Notice of Borrowing. (a) The Borrower shall give the Administrative Agent notice (a "*Notice of Borrowing*") in respect of the Borrowing of Loans, other than Swing Loans and Refunding Swing Loans, not later than 11:00 a.m. (Chicago, Illinois, time) on (x) the Business Day of the Borrowing if such Borrowing is to be a Base Rate Borrowing and (y) the third Business Day immediately preceding the date of the Borrowing if such Borrowing is to be a Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Business Day;

(ii) what Type of Revolving Loans are to be borrowed and whether the Loans comprising such Borrowing are to bear interest initially at the Base Rate or a Euro-Dollar Rate;

(iii) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period and in the case of a Base Rate Borrowing, the date, if any, on which such Revolving Loan will be converted to a Euro-Dollar Loan; and

(iv) the aggregate amount of such Borrowing.

(b) The Borrower shall give the Swing Lender a Notice of Borrowing in respect of Swing Loans not later than 1:00 P.M. (Chicago time) on the date of Borrowing of such Swing Loans (which shall be a Domestic Business Day), specifying the amount of such Borrowing.

(c) Refunding Swing Loans shall be made on the notice provided in Section 2.1(e).

Section 2.3. Notice to Banks Funding of Loans. (a) Upon receipt of a Notice of Borrowing (other than a Swing Borrowing), the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's share of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 1:30 p.m. (Chicago, Illinois time) on the date of each Borrowing, each Bank shall make available its share of such Borrowing, in Federal or other funds immediately available in Chicago, Illinois, to the Administrative Agent at its address referred to in Section 11.1. The Swing Lender shall make the proceeds of its Swing Loan available to the Borrower no later than 2:00 p.m. (Chicago Time) on the date requested. Unless the Administrative Agent determines that any applicable condition specified in Article 3 has not been satisfied, the Administrative Agent will make the funds so received from the Banks available to the Borrower at the Administrative Agent's aforesaid address.

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.6 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

Section 2.4. Notes. (a) The Borrower's obligation to pay the principal of, and interest on, the Loans made by each Bank shall be evidenced (i) if Revolving Loans, by promissory notes duly executed and delivered by the Borrower substantially in the form of Exhibit B-1, with blanks appropriately completed (each a "*Revolving Note*" and, collectively, the "*Revolving Notes*") and (ii) if Swing Loans, by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit B-2, with blanks appropriately completed (the "*Swing Note*").

(b) Upon receipt of each Bank's Notes pursuant to Section 3.1(a), the Administrative Agent shall forward such Notes to the appropriate Bank. Each Bank shall record the date and amount of the respective Loans made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of any of its Notes, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to such Loans then outstanding under such Note; *provided*, that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Notes and to attach to and make a part of its Notes a continuation of any such schedule as and when required.

Section 2.5. Maturity of Loans. Subject to the provisions of Section 2.8, the Commitment shall terminate and the principal amount of all then outstanding Revolving Loans and Swing Loans, together with accrued interest thereon, shall be due and payable in full on the Maturity Date.

Section 2.6. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made (or converted pursuant to Article 9) until it becomes due, at a rate per annum equal to the Base Rate plus the Base Rate Margin for such day. Such interest shall be payable quarterly in arrears on the last day of each March, June, September, and December in each year (each, a "*Quarterly Date*") and, with respect to the principal amount of any Base Rate Loan converted to a Euro-Dollar Loan, on each date a Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on

demand, for each day until paid at a rate per annum equal to the sum of 2% *plus* the rate otherwise applicable to Base Rate Loans for such day.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin for such day *plus* the London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, in the case of an Interest Period of six months, the date occurring three months after the first day of such Interest Period.

(c) Any overdue principal of, or interest on, any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the higher of (i) the sum of 2% *plus* the Euro-Dollar Margin for such day *plus* the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of it) by dividing (x) the average rate per annum (rounded upward, if necessary, to the next higher 1/100 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Business Days, then for such other period of time not longer than three months as the Administrative Agent may select) deposits in Dollars in an amount approximately equal to such overdue payment due to the Administrative Agent is offered to the Administrative Agent in the London interbank market for the applicable period determined as provided above by (y) one *minus* the Reserve Percentage (or, if the circumstances described in clause (a) or (b) of Section 9.1 shall exist, at a rate per annum equal to the sum of 2% *plus* the rate applicable to Base Rate Loans for such day) and (ii) the sum of 2% *plus* the Euro-Dollar Margin for such day plus the London Interbank Offered Rate applicable to such Loan at the date such payment was due.

(d) Each Swing Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Swing Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day plus the Swing Margin. Such interest shall be payable on each Quarterly Date or, if earlier, on the date such Swing Loan becomes due or its Refunding Date. Any overdue principal of or interest on any Swing Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate applicable to Swing Loans for such day.

(e) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(f) The Administrative Agent agrees to use its best efforts to furnish quotations as contemplated by this Section. If the Administrative Agent is unable to provide a quotation, the provisions of Section 9.1 shall apply.

Section 2.7. Fees. (a) During the period from and including the Effective Date to and including the date upon which the Total Commitment is terminated, the Borrower shall pay to the Administrative Agent for the account of the Banks with Commitments, ratably in proportion to their respective Commitments, a commitment fee at the rate per annum equal to the Applicable Commitment Fee Percentage on the daily amount by which the Total Commitment exceeds the aggregate principal amount of Revolving Loans outstanding and Letter of Credit Outstandings on such date. Such commitment fee shall accrue from and including the Effective Date to, but excluding the date of termination of, the Commitments in their entirety. Accrued commitment fees shall be payable quarterly in arrears on the last day of each March, June, September, and December in each year and on the date of termination of the Commitments in their entirety.

(b) The Borrower agrees to pay to the Administrative Agent for distribution to each Bank with a Commitment (based on each Bank's Percentage) a fee in respect of each Letter of Credit issued hereunder (the "*Letter of Credit Fee*"), for the period from and including the date of issuance of such

Letter of Credit to and including the date of termination or expiration of such Letter of Credit, computed at a rate per annum equal to the Euro-Dollar Margin for Revolving Loans on the daily Stated Amount of such Letter of Credit. Accrued Letter of Credit Fees shall be due and payable quarterly in arrears on each Quarterly Date and on the first day after the termination of the Total Commitment upon which no Letters of Credit remain outstanding.

(c) The Borrower agrees to pay to each Letter of Credit Issuer, for its own account, a fronting fee in respect of each Letter of Credit issued by such Letter of Credit Issuer (the "*Fronting Fee*"), for the period from and including the date of issuance of such Letter of Credit to and including the date of the termination of such Letter of Credit, computed at a rate equal to 1/8th of 1% per annum of the daily Stated Amount of such Letter of Credit. Accrued Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and upon the first day after the termination of the Total Commitment upon which no Letters of Credit remain outstanding.

(d) The Borrower agrees to pay, upon each drawing under, issuance of, or amendment to, any Letter of Credit, such amount as shall at the time of such event be the customary scheduled administrative charge which the applicable Letter of Credit Issuer is generally imposing in connection with such occurrence with respect to letters of credit.

(e) The Borrower shall pay to the Administrative Agent such amounts as are agreed to from time to time.

Section 2.8. Termination or Reduction of Commitments.

(a) *Optional Reduction of Commitments.* The Borrower may, upon at least three Business Days' notice to the Administrative Agent, (i) terminate the Total Commitment at any time, if no Loans or Letters of Credit are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of $5,000,000 or a larger multiple of $1,000,000 the aggregate amount of the Total Commitment in excess of the aggregate outstanding principal amount of the Revolving Loans, Swing Loans and Letter of Credit Outstandings. Any termination of the Total Commitments below the Letter of Credit Commitment then in effect shall reduce the Letter of Credit Commitment then in effect by like amount. Any termination of the Total Commitments to an amount less than $35,000,000 shall reduce the Swing Loan Commitment then in effect by like amount. Upon receipt of a notice pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof.

(b) *Mandatory Reduction of Commitments*. The Total Commitment (and the respective Commitment of each Bank) shall terminate on the Maturity Date.

(c) *Pro Rata Reduction*. Each reduction to the Total Commitment pursuant to this Section 2.8 shall be applied proportionately to reduce the Commitment of each Bank.

Section 2.9. Method of Electing Interest Rates for Loans. (a) The Loans included in a Borrowing shall be the Type of Loan specified by the Borrower in the applicable Notice of Borrowing given pursuant to Section 2.2. Thereafter, the Borrower shall deliver a notice (a "*Notice of Interest Period Election*") to the Administrative Agent not later than 11:00 a.m. (Chicago, Illinois, time) on the third Business Day prior to (i) if such Borrowing was initially a Base Rate Borrowing, the commencement of the first Interest Period with respect to the conversion of such Base Rate Loan into a Euro-Dollar Loan specifying the duration of such Interest Period, or (ii) at any other time, the last day of the current Interest Period specifying the duration of the additional Interest Period which is to commence. Each Interest Period specified in a Notice of Interest Period Election shall comply with the provisions of the definition of "Interest Period." Notwithstanding the foregoing, the Borrower may not elect to convert any Loan into, or continue any Loan as, a Euro-Dollar Loan pursuant to any Notice of Interest Rate Election if at the time such notice is delivered an Event of Default shall have occurred and be continuing.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Borrowing of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

(iii) if the Loans comprising such Borrowing are to be converted, the new Type of Loans and, if the Loans being converted are to be Euro-Dollar Loans, the duration of the next succeeding Interest Period applicable thereto; and

(iv) if such Loans are to be continued as Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

(c) Upon receipt of a Notice of Interest Period Election from the Borrower pursuant to subsection (a) above, the Administrative Agent shall promptly notify each Bank of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If no Notice of Interest Period Election is timely received prior to the end of an Interest Period, the Borrower shall be deemed to have elected that such Loan be continued as a Base Rate Loan.

(d) An election by the Borrower to change or continue the rate of interest applicable to any Borrowing of Loans pursuant to this Section shall not constitute a "Borrowing" subject to the provisions of Section 3.2.

Section 2.10. Optional Prepayments. (a) Subject, in the case of Euro-Dollar Loans, to Section 2.13, the Borrower may, upon at least one Business Day's notice to the Administrative Agent, prepay any Base Rate Loans or, upon at least three Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Loans, in each case in whole at any time, or from time to time in part, without premium or penalty, in amounts aggregating $5,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks.

(b) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank with Loans outstanding of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

(c) The Borrower may elect to utilize the option set forth in Section 2.11(c) in connection with any optional prepayment.

Section 2.11. Mandatory Prepayments. (a) *Requirements*. If on any date the sum of the aggregate outstanding principal amount of Revolving Loans, Swing Loans and the Letter of Credit Outstandings exceeds the Total Commitment as then in effect, the Borrower shall repay on such date the principal of Swing Line Loans, and, if no Swing Loans are or remain outstanding, Revolving Loans in an aggregate amount equal to such excess. If, after giving effect to the repayment of all

outstanding Swing Loans and Revolving Loans, the aggregate amount of Letter of Credit Outstandings exceeds the Total Commitment, the Borrower shall pay to the Administrative Agent, for the ratable benefit of the Banks, on such date an amount in cash equal to such excess (up to the aggregate amount of the Letter of Credit Outstandings at such time) and the Administrative Agent shall hold such payment as security for the Obligations pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Administrative Agent (which shall permit certain investments in cash equivalents reasonably satisfactory to the Administrative Agent, until the proceeds are applied to the Obligations). Notwithstanding anything to the contrary contained elsewhere in this Agreement, all then outstanding Loans shall be repaid in full on the Maturity Date.

(b) *Application*. With respect to each prepayment of Revolving Loans required by Section 2.11(a), the Borrower may designate the Types of Loans which are to be prepaid and the specific Borrowing or Borrowings pursuant to which made, *provided* that (i) Euro-Dollar Loans may be so designated for prepayment pursuant to this Section 2.11 only on the last day of an Interest Period applicable thereto unless all Euro-Dollar Loans with Interest Periods ending on such date of required prepayment and all Base Rate Loans have been paid in full; (ii) if any prepayment of Euro-Dollar Loans made pursuant to a single Borrowing shall reduce the outstanding Loans made pursuant to such Borrowing to an amount less than $5,000,000, such Borrowing shall be immediately converted into Base Rate Loans; and (iii) each prepayment of Revolving Loans pursuant to a Borrowing shall be applied *pro rata* among such Revolving Loans. In the absence of a designation by the Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its sole discretion with a view, but no obligation, to minimize breakage costs.

(c) *Cash Collateral to Avoid Breakage*. Notwithstanding the provisions of Section 2.11(b), if at any time a mandatory or voluntary prepayment of Loans pursuant to Sections 2.10 or 2.11(a) above would result, after giving effect to the procedures set forth above, in the Borrower incurring breakage costs as a result of Euro-Dollar Loans being prepaid other than on the last day of an Interest Period applicable thereto (the "*Affected Loans*"), then the Borrower may in its sole discretion initially deposit a portion (up to 100%) of the amounts that otherwise would have been paid in respect of the Affected Loans with the Administrative Agent (which deposit must be equal in amount to the amount of the Affected Loans not immediately prepaid) to be held as security for the obligations of the Borrower hereunder pursuant to a cash collateral arrangement reasonably satisfactory to the Administrative Agent and shall provide for investments reasonably satisfactory to the Administrative Agent, with such cash collateral to be directly applied upon the first occurrence (or occurrences) thereafter of the last day of an Interest Period applicable to the relevant Loans (or such earlier date or dates as shall be requested by the Borrower), to repay an aggregate principal amount of such Loans equal to the Affected Loans not initially prepaid pursuant to this sentence. Notwithstanding anything to the contrary contained in the immediately preceding sentence, all amounts deposited as cash collateral pursuant to the immediately preceding sentence shall be held for the sole benefit of the Banks whose Loans would otherwise have been immediately prepaid with the amounts deposited and upon the taking of any action by the Administrative Agent or the Banks pursuant to the remedial provisions of Article 7, any amounts held as cash collateral pursuant to this Section 2.11(c) shall, subject to the requirements of applicable law, be immediately applied to repay such Loans.

Section 2.12. General Provisions as to Payments. (a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder (i) not later than 12:00 Noon (Chicago, Illinois time) on the date when due, in Federal or other funds immediately available in Chicago, Illinois, to the Administrative Agent at its address referred to in Section 11.1, and (ii) without any right to set-off, deduction or counterclaim by the Borrower. All payments made hereunder shall be made in U.S. Dollars in immediately available funds at the place of payment. The Administrative Agent will promptly distribute to each Bank its ratable share of each such payment received by the Administrative Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Base Rate Loans or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such

payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.13. Funding Losses. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan or any Euro-Dollar Loan is prepaid, converted or becomes due (pursuant to Article 2, 7, or 9 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or if the Borrower fails to borrow, prepay or continue any Euro-Dollar Loans after notice has been given to any Bank in accordance with Section 2.2, 2.9, or 2.10 the Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow, prepay, convert or continue, *provided* that such Bank shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.14. Computation of Interest and Fees. (a) Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day if and only if such payment is made in accordance with the provisions of the first sentence of Section 2.12(a)).

Section 2.15. Regulation D Compensation. Each Bank may require the Borrower to pay, contemporaneously with each payment of interest on the Euro-Dollar Loans, additional interest on the related Euro-Dollar Loan of such Bank at a rate per annum determined by such Bank up to but not exceeding the excess of (i) (A) the London Interbank Offered Rate then in effect for such Loan divided by (B) one minus the Reserve Percentage over (ii) such London Interbank Offered Rate. Any Bank wishing to require payment of such additional interest (x) shall so notify the Borrower and the Administrative Agent, in which case such additional interest on the Euro-Dollar Loan of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least three Business

Days after the giving of such notice and (y) shall notify the Borrower at least five Business Days prior to each date on which interest is payable on the Euro-Dollar Loans of the amount then due it under this Section. The Borrower's obligations under this Section 2.15 are limited as set forth in Section 9.6.

Section 2.16. Increase in Commitment. Provided there exists no Default, the Borrower on behalf of the Borrower and Guarantors may, on any Business Day after the date hereof, without the consent of any Bank but with the written consent of the Administrative Agent, each Letter of Credit Issuer and the Swing Lender (which consents shall not be unreasonably withheld or delayed), increase the aggregate amount of the Commitments by delivering a Commitment Amount Increase Request at least five (5) Business Days prior to the desired effective date of such increase (the "*Commitment Amount Increase*") identifying an additional Bank (or additional Commitment agreed to be made by any existing Bank) and the amount of its Commitment (or additional amount of its Commitment); *provided, however,* that any increase in the aggregate amount of the Commitments when added to the "*Commitments*" under the Related Credit Agreement and the Canadian Credit Agreement to an amount in excess of $450,000,000 will require the approval of the Required Banks; *provided further* that prior to approaching an additional Bank, the Borrower shall have offered to the existing Banks the

opportunity to increase their respective Commitments. The effective date of the Commitment Amount Increase shall be agreed upon by the Borrower and the Administrative Agent. Upon the effectiveness thereof, each new Bank (or, if applicable, each existing Bank which consented to an increase in its Commitment) shall advance Loans in an amount sufficient such that after giving effect to its Loan each Bank shall have outstanding its *pro rata* share of Loans. It shall be a condition to such effectiveness that no Euro-Dollar Loans be outstanding on the date of such effectiveness and that the Borrower shall not have terminated any portion of the Commitment pursuant to Section 2.8 hereof. The Borrower agrees to pay any out-of-pocket expenses of the Administrative Agent relating to any Commitment Amount Increase. Notwithstanding anything herein to the contrary, no Bank shall have any obligation to increase its Commitment and no Bank's Commitment shall be increased without its consent thereto, and each Bank may at its option, unconditionally and without cause, decline to increase its Commitment.

ARTICLE 2A

LETTERS OF CREDIT

Section 2A.1. Letters of Credit. (a) Subject to and upon the terms and conditions set forth herein, the Borrower may request a Letter of Credit Issuer at any time and from time to time on or after the Effective Date and prior to the tenth Business Day immediately preceding the Maturity Date to issue a standby letter of credit for the account of the Borrower in support of L/C Supportable Obligations (each such letter of credit, a "*Letter of Credit*" and, collectively, the "*Letters of Credit*"), and subject to and upon the terms and conditions set forth herein such Letter of Credit Issuer agrees to issue from time to time, irrevocable Letters of Credit in such form as may be approved by such Letter of Credit Issuer and the Administrative Agent. Notwithstanding the foregoing, no Letter of Credit Issuer shall be under any obligation to issue any Letter of Credit if at the time of such issuance:

(i) any order, judgment or decree of any governmental authority or arbitrator shall purport by its terms to enjoin or restrain such Letter of Credit Issuer from issuing such Letter of Credit or any requirement of law applicable to such Letter of Credit Issuer or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over such Letter of Credit Issuer shall prohibit, or request that such Letter of Credit Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Letter of Credit Issuer with respect to such Letter of Credit any restriction or reserve or capital requirement (for which such Letter of Credit Issuer is not otherwise compensated) not in effect on the Effective Date, or any unreimbursed loss, cost or expense which was not applicable, in effect or known to such Letter of Credit Issuer as of the Effective Date and which such Letter of Credit Issuer in good faith deems material to it;

(ii) such Letter of Credit Issuer shall have received notice from the Borrower or the Required Banks prior to the issuance of such Letter of Credit of the type described in clause (v) of Section 2A.1(b); or

(iii) the Administrative Agent or such Letter of Credit Issuer has received notice from any Bank that it does not intend to participate in such Letter of Credit pursuant to Section 2A.5, or any Bank has failed to participate in any Letter of Credit issued hereunder, unless the Borrower and such Letter of Credit Issuer shall have entered into arrangements reasonably satisfactory to such Letter of Credit Issuer to eliminate the risk of such Bank's failure to participate in Letters of Credit (including cash collateralizing the amount of such Bank's obligation).

(b) Notwithstanding the foregoing, (i) no Letter of Credit shall be issued, the Stated Amount of which, when added to the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid on the date of, and prior to the issuance of, the respective Letter of Credit) at such time, would exceed either (x) the Letter of Credit Commitment or (y) when added to the aggregate principal

amount of all Revolving Loans and Swing Loans then outstanding, the Total Commitment at such time; (ii) each Letter of Credit shall have an expiry date occurring not later than one year after such Letter of Credit's date of issuance (although any Letter of Credit may be extendible (whether automatically or otherwise) for successive periods of up to 12 months, but not beyond the tenth Business Day preceding the Maturity Date), on terms reasonably acceptable to the respective Letter of Credit Issuer and in no event shall any Letter of Credit have an expiry date occurring later than the tenth Business Day preceding the Maturity Date; (iii) each Letter of Credit shall be denominated in Dollars; (iv) each Letter of Credit shall be payable only on a sight basis and upon conditions, if any, set forth therein; and (v) no Letter of Credit Issuer shall issue any Letter of Credit after it has received written notice from the Borrower or the Required Banks that a Default exists until such time as such Letter of Credit Issuer shall have received written notice of (x) rescission of such notice from the party or parties originally delivering the same or (y) waiver of such Default by the Required Banks,

(c) Upon the occurrence of an event giving rise to the operation of Section 2A.1(a)(iii), the Borrower shall have the right, if no Default then exists, to replace such Bank (the "*Replaced Bank*") with one or more other Eligible Transferees (it being acknowledged that the Replaced Bank shall be under no obligation to identify or secure the commitment of such Eligible Transferee or assist in identifying or securing the commitment of such Eligible Transferee), each of whom shall be reasonably acceptable to the Administrative Agent (collectively, the "*Replacement Bank*"), *provided* that (i) at the time of any replacement pursuant to this Section 2A.1(c), the Replacement Bank shall enter into one or more Assignment and Assumption Agreements pursuant to Section 11.6(c) (and with all fees payable pursuant to Section 11.6(c) to be paid by the Replacement Bank) pursuant to which the Replacement Bank shall acquire all of the Commitments and outstanding Loans of, and participations in Letters of Credit by, the Replaced Bank and, in connection therewith, shall pay to (x) the Replaced Bank in respect thereof an amount equal to the sum of (I) the principal of, and all accrued interest on, all outstanding Loans of the Replaced Bank, (II) all Unpaid Drawings that have been funded by (and not reimbursed to) such Replaced Bank, together with all then unpaid interest with respect thereto at such time and (III) all accrued, but theretofore unpaid, fees to the Replaced Bank, (y) each Letter of Credit Issuer an amount equal to such Replaced Bank's Percentage of any Unpaid Drawing (which at such time remains an Unpaid Drawing) to the extent such amount was not theretofore funded by such Replaced Bank to such Letter of Credit Issuer and (z) the Swing Lender an amount equal to such Replaced

Bank's Percentage of any Swing Loan to the extent such amount was required to be but not theretofore funded by such Replaced Bank, and (ii) all obligations of the Borrower due and owing to the Replaced Bank at such time (other than those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being paid) shall be paid in full to such Replaced Bank concurrently with such replacement. Upon the execution of the respective Assignment and Assumption Agreement, the payments of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Bank, delivery to the Replacement Bank of the appropriate Note or Notes executed by the Borrower, (i) the Replacement Bank shall become a Bank hereunder and the Replaced Bank shall cease to constitute a Bank hereunder, except with respect to indemnification provisions under this Agreement, which shall survive as to such Replaced Bank and (ii) the Percentages of the Banks shall be automatically adjusted at such time to give effect to such replacement. Replacements pursuant to this Section 2A.1(c) shall only be effected by assignments which otherwise meet the applicable requirements of Section 11.6(c).

Section 2A.2. Minimum Stated Amount. The initial Stated Amount of each Letter of Credit shall be not less than $100,000 or such lesser amount as shall be reasonably acceptable to the respective Letter of Credit Issuer.

Section 2A.3. Letter of Credit Requests; Notices of Issuance; Reports. (a) Whenever the Borrower desires that a Letter of Credit be issued, the Borrower shall give the Administrative Agent and the respective Letter of Credit Issuer a written request (including by way of telecopier) prior to 12:00 P.M.

(Chicago time) at least three Business Days (or such shorter period as may be acceptable to such Letter of Credit Issuer) prior to the proposed date (which shall be a Business Day) of issuance (each a "*Letter of Credit Request*"), which Letter of Credit Request shall include any other documents that such Letter of Credit Issuer customarily requires in connection therewith.

(b) The respective Letter of Credit Issuer shall, promptly after each issuance of a Letter of Credit by it, give the Administrative Agent, each Bank and the Borrower written notice of the issuance of such Letter of Credit, accompanied, if requested, by a copy of the Letter of Credit or Letters of Credit issued by it.

Section 2A.4. Agreement to Repay Letter of Credit Drawings. (a) The Borrower hereby agrees to reimburse the respective Letter of Credit Issuer, by making payment to the Administrative Agent at the Payment Office (which funds the Administrative Agent shall promptly forward to such Letter of Credit Issuer), for any payment or disbursement made by such Letter of Credit Issuer under any Letter of Credit issued by it (each such amount so paid or disbursed until reimbursed, an "*Unpaid Drawing*") immediately after, and in any event on the date on which, the Borrower is notified by such Letter of Credit Issuer of such payment or disbursement with interest on the amount so paid or disbursed by such Letter of Credit Issuer, to the extent not reimbursed prior to 12:00 P.M. (Chicago time) on the date of such payment or disbursement, from and including the date paid or disbursed to but not including the date such Unpaid Drawing is paid by the Borrower at a rate per annum which shall be the interest rate applicable to Revolving Loans maintained as Base Rate Loans as in effect from time to time (plus an additional 2% per annum if not reimbursed by the third Business Day after the date of such notice of payment or disbursement), such interest also to be payable on demand. Each Letter of Credit Issuer shall provide the Borrower prompt notice of any payment or disbursement made by it under any Letter of Credit issued by it, although the failure of, or delay in, giving any such notice shall not release or diminish the obligations of the Borrower under this Section 2A.4(a) or under any other Section of this Agreement.

(b) The Borrower's obligation under this Section 2A.4 to reimburse the respective Letter of Credit Issuer with respect to Unpaid Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against such Letter of Credit Issuer, the Administrative Agent or any Bank, including, without limitation, any defense based upon the failure of any payment under a Letter of Credit to conform to the terms of the Letter of Credit or any non-application or misapplication by the beneficiary of the proceeds of such payment; *provided, however,* that the Borrower shall not be obligated to reimburse any Letter of Credit Issuer for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence (as determined by a court of competent jurisdiction) on the part of such Letter of Credit Issuer.

Section 2A.5. Letter of Credit Participations. (a) Immediately upon the issuance by any Letter of Credit Issuer of a Letter of Credit, such Letter of Credit Issuer shall be deemed to have sold and transferred to each other Bank with a Commitment, and each such Bank (each an "*L/C Participant*") shall be deemed irrevocably and unconditionally to have purchased and received from such Letter of Credit Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Bank's Percentage, in such Letter of Credit, each substitute letter of credit, each payment made thereunder and the obligations of the Borrower under this Agreement with respect thereto (although the Letter of Credit Fee shall be payable directly to the Administrative Agent for the account of the Banks as provided in Section 2.7(c) and the L/C Participants shall have no right to receive any portion of any Fronting Fees) and any security therefor or guaranty pertaining thereto. Upon any change in the Commitments or Percentages of the Banks pursuant to Section 11.6(c), it is hereby agreed that, with respect to all outstanding Letters of Credit and Unpaid Drawings, there shall be an automatic

adjustment to the participations pursuant to this Section 2A.5 to reflect the new Percentages of the assigning and assignee Bank or of all Banks, as the case may be.

(b) In determining whether to pay under any Letter of Credit, the respective Letter of Credit Issuer shall not have any obligation relative to the L/C Participants other than to determine that any documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by any Letter of Credit Issuer under or in connection with any Letter of Credit if taken or omitted in the absence of gross negligence or willful misconduct (as determined by a court of competent jurisdiction) shall not create for such Letter of Credit Issuer any resulting liability.

(c) In the event that the respective Letter of Credit Issuer makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to such Letter of Credit Issuer pursuant to Section 2A.4(a), such Letter of Credit Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each L/C Participant of such failure, and each L/C Participant shall promptly and unconditionally pay to the Administrative Agent for the account of such Letter of Credit Issuer, the amount of such L/C Participant's Percentage of such payment in Dollars and in same day funds; *provided, however,* that no L/C Participant shall be obligated to pay to the Administrative Agent its Percentage of such unreimbursed amount for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence (as determined by a court of competent jurisdiction) on the part of such Letter of Credit Issuer. If the Administrative Agent so notifies any L/C Participant required to fund an Unpaid Drawing under a Letter of Credit prior to 11:00 A.M. (Chicago time) on any Business Day, such L/C Participant shall make available to the Administrative Agent for the account of the respective Letter of Credit Issuer (which funds the Administrative Agent shall promptly forward to the Letter of Credit Issuer) such Participant's Percentage of the amount of such payment on such Business Day in same day funds. If and to the extent such L/C Participant shall not have so made its Percentage of the amount of such Unpaid Drawing available to the Administrative Agent for the account of such Letter of Credit Issuer, such L/C Participant agrees to pay to the Administrative Agent for the

account of such Letter of Credit Issuer, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent for the account of such Letter of Credit Issuer at the Federal Funds Rate. The failure of any L/C Participant to make available to the Administrative Agent for the account of the respective Letter of Credit Issuer its Percentage of any Unpaid Drawing under any Letter of Credit shall not relieve any other L/C Participant of its obligation hereunder to make available to the Administrative Agent for the account of the respective Letter of Credit Issuer its Percentage of any payment under any Letter of Credit on the date required, as specified above, but no L/C Participant shall be responsible for the failure of any other L/C Participant to make available to the Administrative Agent for the account of such Letter of Credit Issuer such other L/C Participant's Percentage of any such payment.

(d) Whenever the respective Letter of Credit Issuer receives a payment of a reimbursement obligation as to which the Administrative Agent has received for the account of such Letter of Credit Issuer any payments from the L/C Participants pursuant to clause (c) above, such Letter of Credit Issuer shall pay to the Administrative Agent and the Administrative Agent shall promptly pay to each L/C Participant which has paid its Percentage thereof, in US Dollars, and in same day funds, an amount equal to such L/C Participant's Percentage of the principal amount thereof and interest thereon accruing at the Federal Funds Rate after the purchase of the respective participations.

(e) The obligations of the L/C Participants to make payments to the Administrative Agent for the account of the respective Letter of Credit Issuer with respect to Letters of Credit shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever (*provided* that no L/C Participant shall be required to make payments resulting from the

Letter of Credit Issuer's gross negligence or willful misconduct (as determined by a court of competent jurisdiction)) and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off, defense or other right which the Borrower or any of it Subsidiaries may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, the respective Letter of Credit Issuer, any Bank or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrower or any of its Subsidiaries and the beneficiary named in any such Letter of Credit);

(iii) any draft, certificate or other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents; or

(v) the occurrence of any Default.

(f) To the extent the respective Letter of Credit Issuer is not indemnified for same by the Borrower, the L/C Participants will reimburse and indemnify the Letter of Credit Issuer, in proportion to their respective Percentages, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by such Letter of Credit Issuer in performing its respective duties in any way relating to or arising out of its issuance of Letters of Credit; *provided* that no L/C Participant shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Letter of Credit Issuer's gross negligence or willful misconduct (as determined by a court of competent jurisdiction).

Section 2A.6. Increased Costs. If at any time after the Effective Date, the adoption or effectiveness of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the respective Letter of Credit Issuer or any Bank with any request or directive (whether or not having the force of law) by any such authority, central bank or comparable agency shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against Letters of Credit issued by such Letter of Credit Issuer or such Bank's participation therein, or (ii) shall impose on such Letter of Credit Issuer or any Bank any other conditions affecting this Agreement, any Letter of Credit or such Bank's participation therein; and the result of any of the foregoing is to increase the cost to such Letter of Credit Issuer or such Bank of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Letter of Credit Issuer or such Bank hereunder (other than any increased cost or reduction in the amount received or receivable resulting from the imposition of or a change in the rate of taxes or similar charges), then, upon demand to the Borrower by such Letter of Credit Issuer or such Bank (a copy of which notice shall be sent by such Letter of Credit Issuer or such Bank to the Administrative Agent), the Borrower shall pay to such Letter of Credit Issuer or such Bank such additional amount or amounts as will compensate such Letter of Credit Issuer or such Bank for such increased cost or reduction. A certificate submitted to the Borrower by the respective Letter of Credit Issuer or such Bank, as the case may be (a copy of which certificate shall be sent by such Letter of Credit Issuer or such Bank to the Administrative

Agent) setting forth the basis for the determination of such additional amount or amounts necessary to compensate such Letter of Credit Issuer or such Bank shall be conclusive and binding on the Borrower absent manifest error, although the failure to deliver any such certificate shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section 2A.6 upon the subsequent receipt thereof. The Borrower's obligations under this Section are limited as set forth in Section 9.6.

ARTICLE 3

CONDITIONS

Section 3.1. Initial Borrowing. The obligations of the Banks to make the initial Loans hereunder and of any Letter of Credit Issuer to issue the initial Letter of Credit hereunder are subject to receipt by the Administrative Agent of the following documents:

(a) an opinion of counsel for the Credit Parties in a form reasonably acceptable to the Administrative Agent and covering such matters relating to the transactions contemplated hereby as the Administrative Agent or the Required Banks may reasonably request;

(b) all documents the Administrative Agent may reasonably request relating to the corporate authority of each Credit Party which is a party hereto or any other Credit Document and the validity of this Agreement and each other Credit Document, all in form and substance reasonably satisfactory to the Administrative Agent;

(c) copies of this Agreement executed by the Borrower, each Guarantor and each of the Banks, and copies of the Notes executed by the Borrower in favor of each of the Banks;

(d) all filings (including, without limitation, pursuant to the Uniform Commercial Code) and recordings shall have been accomplished with respect to the Pledge Agreements in such jurisdictions as may be required by law to establish, perfect, protect and preserve the rights, titles, interests, remedies, powers, privileges, liens and security interests of the Collateral Agent in the Collateral covered by the Pledge Agreements and any giving of notice or the taking of any other action to such end (whether similar or dissimilar) required by law shall have been given or taken. On or prior to the Effective Date, the Collateral Agent shall have received satisfactory evidence as to any such filing, recording, registration, giving of notice or other action so taken or made; and the Banks and the holders of the loans and letters of credit outstanding under the Related Credit Agreement and the Canadian Credit Agreement shall have entered into the Intercreditor Agreement, which shall be acknowledged and consented to by each of the Credit Parties party to the Pledge Agreements;

(e) the Administrative Agent shall have received the full amount of the fees due from the Borrower pursuant to Section 2.7;

(f) the Administrative Agent shall have received fully executed copies of the License Agreements;

(g) the Administrative Agent shall have received a fully executed copy of the WCAS Subordinated Note;

(h) the Administrative Agent shall have received insurance certificates complying with the requirements of Section 6.3 for the business and properties of the Borrower and its Subsidiaries; and

(i) the Administrative Agent shall have received documentation, in form and substance reasonably acceptable to the Administrative Agent, evidencing the termination of the Existing Credit Facilities, the repayment of all obligations owing thereunder and the release of all Liens granted in connection therewith.

The Administrative Agent shall promptly notify the Borrower and the Banks of the satisfaction of the conditions set forth in this Section 3.1, and such notice shall be conclusive and binding on all parties hereto.

Section 3.2. Each Borrowing. The obligation of the Banks to make each Loan hereunder and of any Letter of Credit Issuer to issue or amend each Letter of Credit is subject at the time of such Loan or issuance or amendment of such Letter of Credit to the satisfaction of the following conditions:

(a) the satisfaction of the conditions set forth in Section 3.1;

(b) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.2;

(c) the fact that, immediately after any Borrowing of Loans, the aggregate amount of all Loans made hereunder plus the Letter of Credit Outstandings will not exceed the Total Commitments in effect;

(d) the fact that, immediately before and after such Borrowing, no Default shall have occurred and be continuing;

(e) the fact that the representations and warranties of the Credit Parties contained in this Agreement shall be true and correct in all material respects on and as of the date of such Borrowing;

(f) with respect to the transactions contemplated by the Credit Agreement and the Pledge Agreements, each Credit Party shall have obtained any necessary consents, waivers, approvals, authorizations, registrations, filings, licenses and notifications (including, if necessary, qualifying to do business in, and qualifying under the applicable consumer laws of, each jurisdiction where the applicable party is then doing business, or is in the process of obtaining such qualification in each jurisdiction where the applicable party is expected to be doing business utilizing the proceeds of such Loan) and the same shall be in full force and effect, except where the failure to obtain such consent, qualification or other item could not reasonably be expected to have a material adverse effect on the Borrower and its Subsidiaries, taken as a whole; and

(g) the Pledge Agreements shall be in full force and effect, the Collateral Agent shall have a first priority perfected security interest in all assets of the Borrower and its Subsidiaries purported to be covered thereby (subject to the exceptions set forth therein and in Sections 6.18 and 10.1(a) hereof), and all filings (including, without limitation, pursuant to the Uniform Commercial Code or foreign equivalent) and recordings shall have been accomplished with respect to the Pledge Agreements in such jurisdictions as may be required by law to establish, perfect, protect and preserve the rights, titles, interests, remedies, powers, privileges, liens and security interests of the Collateral Agent in the collateral purposed to be covered thereby and any giving of notice or the taking of any other action to such end (whether similar or dissimilar) required by law shall have been given or taken. The Administrative Agent and the Collateral Agent shall have received satisfactory evidence as to any such filing, recording, registration, giving of notice or other action so taken or made.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (c), (d), (e), (f) and (g) of this Section.

No Bank shall have any obligation to make a Loan hereunder and no Letter of Credit Issuer shall have any obligation to issue a Letter of Credit hereunder at any time unless all conditions precedent have been satisfied before or at such time. The conditions precedent are included for the exclusive benefit of the Administrative Agent and the Banks. In the event that any one more Banks makes available a Loan or any one or more Letter of Credit Issuers issues a Letter of Credit at the request of the Borrower notwithstanding that any one or more of the conditions precedent thereto have not been

satisfied in whole or in part, such waiver shall not operate as to waive the right of the Administrative Agent, the Banks and the Letter of Credit Issuers to require strict compliance thereafter.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 4.1. Existence and Power. Each Credit Party is a corporation, limited liability company, partnership or other organization, duly organized and validly existing and, where applicable, in good standing under the laws of the jurisdiction of its organization, and has all corporate or other powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 4.2. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by each Credit Party of the Credit Documents to which it is a party are within the corporate or other powers of such Credit Party, have been duly authorized by all necessary corporate or other action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of association, the organizational certificate, bylaws or other constitutional documents, as applicable, of such Credit Party or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries (other than Liens granted pursuant to the Credit Documents). Neither the Borrower (or any of its directors or officers) nor any Insured Subsidiary (or any of its directors or officers) is a party to, or subject to, any agreement with, or directive or order issued by, any federal or state bank or thrift regulatory authority which imposes restrictions or requirements on it which are not generally applicable to banks or thrifts; and no action or administrative proceeding is pending or, to the Borrower's knowledge, threatened against the Borrower or any Insured Subsidiary or any of their directors or officers which seeks to impose any such restriction or requirement.

Section 4.3. Binding Effect. This Agreement and the other Credit Documents constitute valid and binding agreements of the Borrower and each other Credit Party which is a party thereto, and each Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms.

Section 4.4. Financial Information. (a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2002, and the related consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, reported on by Deloitte & Touche LLP, a copy of which has been delivered to each of the Banks, fairly present in all material respects the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Since December 31, 2002, there has been no material adverse change in the business, financial position, results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

(c) On and as of the Effective Date, (a) the sum of the assets, at a fair valuation, of the Borrower on a stand alone basis and of the Borrower and its Subsidiaries taken as a whole will exceed its debts; (b) the Borrower on a stand alone basis and the Borrower and its Subsidiaries taken as a whole has not incurred and does not intend to incur debts beyond their ability to pay such debts as such debts mature; and (c) the Borrower on a stand alone basis and the Borrower and its Subsidiaries taken as a whole will have sufficient capital with which to conduct its business. For purposes of this Section 4.4(c), "debt" means any liability on a claim, and "claim" means (i) right to payment, whether or not such a

right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

(d) Except as fully disclosed in the financial statements delivered pursuant to Section 4.4(a) there were as of the Effective Date no liabilities or obligations with respect to the Borrower or any of its Subsidiaries of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in aggregate, could reasonably be expected to have a material and adverse effect on the Borrower or the Borrower and its Subsidiaries taken as a whole. As of the Effective Date, the Borrower knows of no basis for the assertion against it or any of its Subsidiaries of any liability or obligation of any nature whatsoever that is not fully disclosed in the financial statements delivered pursuant to Section 4.4(a) which, either individually or in the aggregate, could reasonably be expected to be material to the Borrower or the Borrower and its Subsidiaries taken as a whole.

Section 4.5. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity or enforceability of any Credit Document.

Section 4.6. Compliance with ERISA. To the best of the Borrower's knowledge after reasonable investigation: (a) Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

(b) Each Foreign Pension Plan has been maintained in substantial compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with applicable regulatory authorities. All material contributions required to be made with respect to a Foreign Pension Plan have been timely made. Neither the Borrower nor any of its Subsidiaries has incurred any material obligation in connection with the termination of or withdrawal from any Foreign Pension Plan. The Borrower and its Subsidiaries do not maintain or contribute to any Foreign Pension Plan the obligations with respect to which could reasonably be expected to have a material adverse effect on the ability of the Borrower or the Borrower and its Subsidiaries taken as a whole to perform their obligations under the Credit Documents.

Section 4.7. Environmental Matters. To the best of the Borrower's knowledge after reasonable investigation: Each of the Borrower and its Subsidiaries has obtained all material environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted. Each of such permits, licenses and authorizations is in full force and effect and the Borrower and its Subsidiaries is in material compliance with the terms and conditions thereof, and is also in material compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree,

judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder. In addition, no notice, notification, demand, request for information, citations, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the Borrower or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of the Borrower or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any release of any Hazardous Substance generated or handled by the Borrower or any of its Subsidiaries. There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of the Borrower or any of its Subsidiaries in relation to any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries which have not been made available to the Administrative Agent and the Banks.

Section 4.8. Taxes. The Borrower and its Subsidiaries have filed all United States Federal and Canadian income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate.

Section 4.9. Subsidiaries. Each of the Borrower's corporate Subsidiaries, if any, is a corporation duly incorporated, validly existing and, where applicable, in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 4.10. Regulatory Restrictions on Borrowing. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

Section 4.11. Full Disclosure. All information heretofore furnished by the Borrower to the Administrative Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower to the Administrative Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. The Borrower has disclosed to the Banks in writing any and all facts which materially and adversely affect or may affect (to the extent the Borrower can now reasonably foresee), the business, operations or financial condition of the Borrower and its Consolidated Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under this Agreement or the other Credit Documents.

Section 4.12. Intellectual Property. The Borrower and its Subsidiaries own or have the exclusive right in the United States and Canada to use and to license the patents, trade names, registered or unregistered trademarks, registered or unregistered service marks, and registered copyrights, all pending applications therefor and all know-how required to operate their respective businesses (collectively, the "*Intellectual Property*"), and, to the extent the Borrower deems such registration or filing necessary or appropriate, each item constituting part of the Intellectual Property has been duly registered with, filed with or issued by, as the case may be, the appropriate authorities in the United States and Canada and, to the knowledge of the Credit Parties, such registrations, filings and issuances remain in full force and effect. To the knowledge of the Credit Parties, there are no infringements of any proprietary rights (including, without limitation, the Intellectual Property, the License Agreements and any inventions and know-how owned or licensed by the Borrower or its Subsidiaries) owned or licensed by the Borrower or its Subsidiaries which could reasonably be expected to have a material adverse effect on the business, property, assets, liabilities, condition (financial or otherwise) or prospects of the Borrower taken

individually or the Borrower and its Subsidiaries, taken as a whole. To the knowledge of the Credit Parties, the trademarks, service marks and trade names owned or licensed by the Borrower or its Subsidiaries are enforceable by such entities and all patents (if any) comprising the Intellectual Property are believed valid and enforceable by the Credit Parties. No consent of third parties will be required for the use of any Intellectual Property as a consequence of the consummation of the transactions contemplated hereby. To the knowledge of any Credit Party, (i) no claims are currently being asserted by any Person to the use of any of the Intellectual Property or challenging or questioning the validity or effectiveness of any License Agreement, and the use of the Intellectual Property by the Borrower or any of its Subsidiaries does not infringe on the rights of any Person and no suits or proceedings are pending or threatened against the Seller, the Borrower or any of their respective Subsidiaries with respect to the foregoing; and (ii) no claims are currently being asserted, and no conditions exist upon which such claims could be based, that the Borrower or any of its Subsidiaries is in default or is not in full compliance with any License Agreement.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF EACH GUARANTOR

Each Guarantor represents and warrants for itself that:

Section 5.1. Existence and Power. The applicable Guarantor is a corporation, limited liability company or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and has all corporate or other powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 5.2. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the applicable Guarantor of this Agreement and each other Credit Document to which it is a party is within the corporate or other powers of the applicable Guarantor, have been duly authorized by all necessary corporate or other action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation, by-laws or other constitutional documents, as applicable, of the Guarantor or of any agreement, judgment, injunction, order, decree or other instrument binding upon the applicable Guarantor or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the applicable Guarantor or any of its Subsidiaries (other than Liens granted pursuant to the Credit Documents).

Section 5.3. Binding Effect. This Agreement and each other Credit Document to which it is a party constitutes a valid and binding agreement of the applicable Guarantor enforceable in accordance with its terms.

Section 5.4. Financial Information. (a) The consolidated balance sheets of the applicable Guarantor and its Consolidated Subsidiaries as of December 31, 2002, and the related unaudited consolidated statements of income, changes in common stockholders' equity and cash flows for the fiscal year then ended, a copy of which has been delivered to each of the Banks, fairly present in all material respects the consolidated financial position of the applicable Guarantor and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Since December 31, 2002, there has been no material adverse change in the business, financial position, results of operations or prospects of the applicable Guarantor and its Consolidated Subsidiaries, considered as a whole.

Section 5.5. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the applicable Guarantor threatened against or affecting, the applicable Guarantor or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which

there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the applicable Guarantor and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity or enforceability of this Agreement or the Notes.

Section 5.6. Compliance with ERISA. To the best of the applicable Guarantor's knowledge after reasonable investigation: Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.7. Environmental Matters. To the best of the applicable Guarantor's knowledge after reasonable investigation: Each of the applicable Guarantor and its Subsidiaries has obtained all material environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted. Each of such permits, licenses and authorizations is in full force and effect and each of the applicable Guarantor and its Subsidiaries is in material compliance with the terms and conditions thereof, and is also in material compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder. In addition, no notice, notification, demand, request for information, citations, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the applicable Guarantor or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of the applicable Guarantor or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any release of any Hazardous Substance generated or handled by the applicable Guarantor or any of its Subsidiaries. There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of the applicable Guarantor or any of its Subsidiaries in relation to any site or facility now or previously owned, operated or leased by the applicable Guarantor or any of its Subsidiaries which have not been made available to the Administrative Agent and the Banks.

Section 5.8. Taxes. The applicable Guarantor and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the applicable Guarantor or any Subsidiary. The charges, accruals and reserves on the books of the applicable Guarantor and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the applicable Guarantor, adequate.

Section 5.9. Subsidiaries. Each of the applicable Guarantor's corporate Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 5.10. Regulatory Restrictions on Borrowing. The applicable Guarantor is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, a

"holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

Section 5.11. Full Disclosure. All information heretofore furnished by the applicable Guarantor to the Administrative Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the applicable Guarantor to the Administrative Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. The applicable Guarantor has disclosed to the Banks in writing any and all facts which materially and adversely affect or may affect (to the extent the applicable Guarantor can now reasonably foresee), the business, operations or financial condition of the applicable Guarantor and its Consolidated Subsidiaries, taken as a whole, or the ability of the applicable Guarantor to perform its obligations under this Agreement.

ARTICLE 6

COVENANTS

The Borrower and each Guarantor, as the case may be, agree that, so long as any Bank has any Commitment hereunder or any amount payable hereunder or under any Note remains unpaid:

Section 6.1. Information. The Borrower will deliver to each of the Banks:

(a) as soon as available and in any event within 90 days after the end of each (i) fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows, and changes in common stockholders' equity, each for such fiscal year, and (ii) fiscal year of WFNNB, the consolidated balance sheet of WFNNB and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows, and changes in common stockholders' equity, each for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year and certified by Deloitte & Touche LLP or another independent public accounting firm of nationally recognized standing;

(b) as soon as available and in any event within 45 days after the end of each of (i) the first three fiscal quarters of the Borrower, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter, and (ii) the first three fiscal quarters of WFNNB, the consolidated balance sheet of WFNNB and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such quarter and for the portion of WFNNB's fiscal year ended at the end of such quarter, setting forth in each case, in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's or WFNNB's, as appropriate, previous fiscal year, all certified (subject to normal year-end adjustments and the absence of footnotes) as to fairness of presentation, generally accepted accounting principles and consistency by the treasurer or chief financial officer of the Borrower or WFNNB, as appropriate;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the treasurer or chief financial officer of the Borrower, (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 6.11, 6.12, 6.13, 6.14 and 6.15 on the date of such financial statements, (ii) comparing such results to the comparable period of the prior fiscal year and the budgeted figures previously delivered for such period and (iii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(d) so long as not contrary to the then recommendations of the Financial Accounting Standards Board, simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a statement of the accounting firm which reported on such statements as to whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements;

(e) within 45 days after the beginning of each fiscal year of the Borrower, a budget in form reasonably satisfactory to the Administrative Agent (including budgeted statements of consolidated income, consolidated cash flows, and consolidated balance sheets) prepared by the Borrower for each of the four quarters of such fiscal year, accompanied by a statement of the treasurer or chief financial officer of the Borrower to the effect that, to the best of such officer's knowledge, the budget is a reasonable estimate for the period covered thereby;

(f) within five days after any officer of any Credit Party obtains knowledge of any Default, if such Default is then continuing, a certificate of the treasurer or chief financial officer of the Borrower setting forth the details thereof and the action which the Borrower or such Credit Party is taking or proposes to take with respect thereto;

(g) promptly after the mailing thereof to the public shareholders of the Borrower, copies of all financial statements, reports and proxy statements so mailed;

(h) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower or any other Credit Party shall have filed with the Securities and Exchange Commission;

(i) immediately upon discovery of the fact that any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan, Foreign Pension Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan, Foreign Pension Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the treasurer of the Borrower setting forth details as

to such occurrence and action, if any, which the Borrower, the applicable Credit Party or the applicable member of the ERISA Group is required or proposes to take;

(j) to the extent permitted by applicable law, promptly upon the receipt or execution thereof, (i) notice by the Borrower or any Insured Subsidiary that (1) it has received a request or directive from any federal or state regulatory agency which requires it to submit a capital maintenance or restoration plan or restricts the payment of dividends by any Insured Subsidiary to the Borrower or (2) it has submitted a capital maintenance or restoration plan to any federal or state regulatory agency or has entered into a memorandum or agreement with any such agency, including, without limitation, any agreement which restricts the payment of dividends by any Insured Subsidiary to the

Borrower or otherwise imposes restrictions or requirements on it which are not generally applicable to banks or thrifts, and (ii) copies of any such plan, memorandum, or agreement, unless disclosure is prohibited by the terms thereof and, after the Borrower or such Insured Subsidiary has in good faith attempted to obtain the consent of such regulatory agency, such agency will not consent to the disclosure of such plan, memorandum, or agreement to the Bank;

(k) prompt notice if the Borrower, any Subsidiary or any other Credit Party shall receive any notification from any governmental authority alleging a violation of any applicable law or any inquiry which could reasonably be expected to have a material adverse effect on the Borrower and the other Credit Parties, taken as a whole;

(l) prompt notice of any Person becoming a Material Domestic Subsidiary;

(m) prompt notice of the sale, transfer or other disposition of any material assets of the Borrower, any Subsidiary or any other Credit Party to any Person other than the Borrower, any Subsidiary or any other Credit Party;

(n) prompt notice of any change in the senior management of the Borrower and any change in the business assets, liabilities, financial condition, results of operations or business prospects of the Borrower, any Subsidiary or any other Credit Party which has had or could reasonably be expected to have a material adverse effect on the Borrower and the other Credit Parties, taken as a whole; and

(o) from time to time such additional information regarding the financial position or business of the Credit Parties and their Subsidiaries (including non-financial information and examination reports and supervisory letters to the extent permitted by applicable regulatory authorities) as the Administrative Agent, at the request of any Bank, may reasonably request.

Section 6.2. Payment of Obligations. Each Credit Party will pay and discharge, and will cause each Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities (including, without limitation, tax liabilities and claims of materialmen, warehousemen and the like which if unpaid might by law give rise to a Lien), except where the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each Subsidiary to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

Section 6.3. Maintenance of Property; Insurance. (a) Each Credit Party will keep, and will cause each Subsidiary to keep, all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) Each Credit Party will, and will cause each Subsidiary to, maintain (either in the name of the Borrower or in its own name) with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts, against at least such risks and with such risk retention as are usually maintained, insured against or retained, as the case may be, in the same general area by companies of established repute engaged in the same or a similar business and will furnish to the Banks, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

Section 6.4. Conduct of Business and Maintenance of Existence. Each Credit Party will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by such Credit Party, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect their respective existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business; *provided,* that nothing in this Section 6.4 shall prohibit (i) a merger or consolidation which is otherwise permitted by Section 6.7 or (ii) the termination of the corporate existence of any Subsidiary

if the Borrower in good faith determines that such termination is in the best interest of the Borrower and is not materially disadvantageous to the Banks.

Section 6.5. Compliance with Laws. Each Credit Party will comply, and cause each Subsidiary to comply, in all respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except (i) where the necessity of compliance therewith is contested in good faith by appropriate proceedings or (ii) to the extent that failure to comply therewith would not have a material adverse effect on (a) the property, business, operations, financial condition, prospects, liabilities or capitalization of the Borrower and the Credit Parties, taken as a whole, (b) the ability of any Credit Party to perform its obligations under any of the Credit Documents to which it is a party, (c) the validity or enforceability of any of the Credit Documents, (d) the rights and remedies of the Banks and the Administrative Agent under any of the Credit Documents or (e) the timely payment of the principal of or interest on the Loans or the payment obligations of the Credit Parties under the Credit Documents.

Section 6.6. Inspection of Property, Books and Records. The Credit Parties will keep, and will cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary to permit, representatives of any Bank, at such Bank's expense, to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

Section 6.7. Mergers and Sales of Assets. The Credit Parties will not (x) consolidate or merge with or into any other Person or (y) sell, lease or otherwise transfer, directly or indirectly, any substantial part of the assets of any Credit Party and its Subsidiaries, taken as a whole, to any other Person; except that the following shall be permitted, but in the case of clauses (a), (c) and (d) below, only so long as no Default shall have occurred and be continuing both before and after giving effect thereto: (a) (i) any Credit Party may merge with or sell or otherwise transfer assets to the Borrower or any Guarantor, (ii) any Person may be merged with or into any Credit Party pursuant to an acquisition permitted by Section 6.21(b), *provided* that such Credit Party is the surviving corporation of such merger and (iii) any Credit Party (other than the Borrower) may be merged with or into any Person pursuant to an acquisition permitted by Section 6.21(b), *provided that,* if required by Section 6.25 the surviving entity becomes a Guarantor at the time of such merger pursuant to documentation reasonably acceptable to the Administrative Agent, (b) the sale or transfer of credit card receivables and related assets pursuant to Qualified Securitization Transactions, (c) assets sold and leased back in the normal course of the Borrower's business and (d) sales, leases and other transfers of assets in an aggregate amount which when combined with all such other transactions under this clause (d) during the then current fiscal year, represents the disposition of assets with an aggregate book value not greater than 5% of Consolidated Net Worth of the Borrower calculated as of the end of the immediately preceding fiscal year.

Section 6.8. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower to finance the general corporate and working capital needs of the Borrower and its Subsidiaries including, without limitation, the refinancing of existing indebtedness and the financing of Restricted Acquisitions. None of the proceeds of any Loan made hereunder will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulation U.

Section 6.9. Negative Pledge. Neither a Credit Party nor any Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens pursuant to the Pledge Agreements;

(b) Liens existing on the Effective Date and listed on Schedule 6.9 hereto;

(c) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary and not created in contemplation of such event;

(d) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset, *provided* that such Lien attaches only to such asset acquired and attaches concurrently with or within 90 days after the acquisition thereof;

(e) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into a Credit Party or its Subsidiary and not created in contemplation of such event, so long as such Lien does not attach to any other asset of such Credit Party or its Subsidiaries;

(f) any Lien existing on any asset prior to the acquisition thereof by a Credit Party or a Subsidiary and not created in contemplation of such acquisition;

(g) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, *provided* that the amount of such Debt is not increased and is not secured by any additional assets;

(h) Liens arising in the ordinary course of its business which (i) do not secure Debt or Derivatives Obligations, (ii) do not secure any obligation in an amount exceeding $5,000,000 and (iii) do not in the aggregate materially detract from the value of the assets secured or materially impair the use thereof in the operation of such Credit Party or Subsidiary's business;

(i) Liens arising in connection with Qualified Securitization Transactions;

(j) Liens securing Debt permitted under Section 6.15(vi) hereof;

(k) Liens incurred or deposits or pledges made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security, (ii) to secure the payment or performance of tenders, statutory or regulatory obligations, bids, leases, contracts (including contracts to provide customer care services, billing services, transaction processing services and other services), performance and return of money bonds and other similar obligations, including letters of credit and bank guarantees required or requested by the United States, any State thereof or any foreign government or any subdivision, department, agency, organization or instrumentality of any of the foregoing in connection with any contract or statute (exclusive of obligations for the payment of borrowed money), or (iii) to cover anticipated costs of future redemptions of awards under loyalty marketing programs; and

(l) Liens not otherwise permitted by the foregoing clauses of this Section 6.9 securing Debt in an aggregate principal or face amount at any date not to exceed 2% of Consolidated Net Worth of the Borrower.

In each case set forth above, notwithstanding any stated limitation on the assets that may be subject to such Lien, a Lien on a specified asset or group or type of assets may include Liens on all improvements, additions and accessions thereto and all products and proceeds thereof.

Section 6.10. End of Fiscal Years and Fiscal Quarters. The Borrower shall cause its fiscal year, and shall cause each of its Subsidiaries' fiscal years, to end on December 31 and shall cause its and each of its Subsidiaries' fiscal quarters to coincide with calendar quarters.

Section 6.11. Maximum Total Capitalization Ratio. The Borrower will not permit its Total Capitalization Ratio at any time to be more than 45%.

Section 6.12. Senior Leverage Ratio. The Borrower shall not permit its Senior Leverage Ratio at any time to exceed 2.00 to 1.00.

Section 6.13. Interest Coverage Ratio. The Borrower will not permit its Interest Coverage Ratio for any period of twelve consecutive fiscal months, as

determined for such twelve month period ending on the last day of any fiscal month, to be less than 3.50:1.00.

Section 6.14. Delinquency Ratio. The Borrower shall not permit the average of the Delinquency Ratios for WFNNB for the most recently ended three consecutive calendar months to exceed 4.5%.

Section 6.15. Debt Limitation. The Borrower shall not, and shall not permit any of its Subsidiaries, whether now existing or created in the future, to create or retain any Debt other than (i) any Debt created or retained by the Borrower or such Subsidiary on or before the Effective Date, (ii) any Debt owed to the Borrower or a Subsidiary by the Borrower or a Subsidiary, *provided* that (A) all such loans shall be made in compliance with Section 6.21(a), and (B) all such loans from the Borrower to WFNNB or another Insured Subsidiary shall be made pursuant to and evidenced by the WFNNB Note or an Intercompany Note, as applicable, (iii) issuances by Insured Subsidiaries of certificates of deposit and other items to the extent no Default results therefrom pursuant to the other covenants contained in this Article 6, (iv) Permitted Subordinated Debt, (v) Debt incurred in connection with Qualified Securitization Transactions, (vi) obligations of the Borrower or its Subsidiaries as lessee in respect of leases of property which are capitalized in accordance with generally accepted accounting principles and shown on the balance sheet of the Borrower and its Subsidiaries and which in the aggregate do not at any one time exceed 10% of the Consolidated Net Worth of the Borrower at such time, (vii) loans and letter of credit reimbursement obligations outstanding from time to time under this Agreement, the Related Credit Agreement and the Canadian Credit Agreement in an aggregate principal amount not to exceed $450,000,000 (including the Dollar equivalent of Canadian dollar borrowings based on the exchange rate set forth in the Canadian Credit Agreement), (viii) Debt incurred by the Borrower and its Subsidiaries in the nature of a purchase price adjustment in connection with a permitted Restricted Acquisition, and (ix) other unsecured Debt of the Borrower and/or its Subsidiaries not to exceed $10,000,000 in the aggregate outstanding at any time.

Section 6.16 Capitalization of Insured Subsidiaries. The Borrower shall, at all times, cause all Insured Subsidiaries to be "well capitalized" within the meaning of 12 C.F.R. 208.43(b)(1) or any successor regulation and such Insured Subsidiaries at no time be reclassified by any relevant agency as anything other than "well capitalized."

Section 6.17. Restricted Payments; Required Dividends. (a) Other than payments made in accordance with the terms of subsection (b) below, neither the Borrower nor any of its Subsidiaries will declare or make any Restricted Payment unless, after giving effect thereto, the aggregate of all Restricted Payments declared or made does not exceed the sum of (i) $10,000,000 plus (ii) 25% of the amount by which the Consolidated Net Income of the Borrower exceeds zero (or minus 100% of the amount by which the Consolidated Net Income of the Borrower is less than zero) for the period from April 1, 2003 through the end of the Borrower's then most recent fiscal quarter (treated for this purpose as a single accounting period).

(b) The Borrower shall cause each Domestic Subsidiary (to the extent permitted under any applicable law, rule or regulation, judgment, injunction, order or decree of any governmental authority) to take all such necessary corporate actions to declare cash dividends, payable to the shareholder of such Subsidiary, in an aggregate amount, if any, equal to all amounts that are then due and owing and remain outstanding after the date of payment therefor pursuant to the terms of this Agreement.

Notwithstanding the foregoing, if a Default or Event of Default exists, neither the Borrower nor any of its Subsidiaries shall make any Restricted Payments to any Person other than to the Borrower or any other Credit Party.

Section 6.18. Equity Ownership, Limitation on Creation of Subsidiaries. Notwithstanding anything to the contrary contained in this Agreement, the Borrower will not, and will not permit any of its Subsidiaries to, establish, create or acquire after the Effective Date any Subsidiary; *provided* that (A) the Borrower and its Wholly-Owned Subsidiaries shall be permitted to establish or create Wholly-Owned Subsidiaries so long as, in each case, (i) if such new Subsidiary is a Material Domestic Subsidiary or a Foreign Subsidiary, written notice of the establishment or creation thereof is given to the Administrative Agent promptly after such establishment or creation, (ii) all of the equity interest of such new Subsidiary (unless such Subsidiary is a Qualified Securitization Subsidiary or an Insured Subsidiary or a Subsidiary of a Qualified Securitization Subsidiary or an Insured Subsidiary) held by the Borrower or a Guarantor (but in no event in excess of 65% of the outstanding equity interest of a Foreign Subsidiary) is promptly pledged pursuant to, and to the extent required by, this Agreement and the Pledge Agreement and the certificates, if any, representing such stock, together with stock powers duly executed in blank, are delivered to the Collateral Agent and (iii) if required by Section 6.25, such new Subsidiary promptly executes a Guarantor Supplement to become a Guarantor pursuant to Article 10, and becomes a party to the Pledge Agreement (or similar documents satisfactory to the Administrative Agent) and (B) Subsidiaries may be acquired to the extent such acquisition does not give rise to a Default hereunder so long as (x) in each such case involving the acquisition of a Wholly-Owned Subsidiary, the actions specified in preceding clause (A) shall be taken, (y) in each such case involving the acquisition of a non-Wholly-Owned Subsidiary, the action specified in the preceding clause (A)(ii) shall be taken, and (z) the Borrower complies with Sections 6.1(1) and 6.21. In addition, each new Subsidiary that is required to execute any Credit Document shall execute and deliver, or cause to be executed and delivered, all other relevant documentation of the type described in Section 3.1 as such new Subsidiary would have had to deliver if such new Subsidiary were a Credit Party on the Effective Date.

Section 6.19. Change of Business. The Borrower will not, and will not permit any of its Subsidiaries to, materially alter the character of the business of the Borrower and its Subsidiaries from that conducted on the Effective Date.

Section 6.20. Limitation on Issuance of Capital Stock. (a) The Borrower will not, and will not permit any of its Subsidiaries to, issue (i) any preferred stock or (ii) any common stock redeemable at the option of the holder thereof.

(b) The Borrower will not permit any of its Subsidiaries to issue any capital stock (including by way of sales of treasury stock) or any options or warrants to purchase, or securities convertible into, capital stock, except (i) for transfers and replacements of then outstanding shares of capital stock, (ii) for stock splits, stock dividends and issuances which do not decrease the percentage ownership of the Borrower or any of its Subsidiaries in any class of the capital stock of such Subsidiary, (iii) to qualify directors to the extent required by applicable law and (iv) for issuances by newly created or acquired Subsidiaries in accordance with the terms of this Agreement.

Section 6.21. Investments; Restricted Acquisition. (a) The Borrower shall not, and shall not permit any Subsidiary to hold, make or acquire any Investment in any Person other than:

(i) Investments by the Borrower or its Subsidiaries in Persons which are Guarantors;

(ii) Investments by the Borrower or its Subsidiaries in Persons which are Domestic Subsidiaries but not Guarantors; *provided that*, immediately after each such Investment is made, the aggregate amount of such Investments then outstanding (the amount of each such Investment being measured at the time such Investment was made) (and without duplication of amounts subsequently invested by the recipient thereof in another Domestic Subsidiary that is not a Guarantor) shall not exceed 5% of the Borrower's Consolidated Net Worth (measured at the time each such Investment is made) *plus* the amount invested on the Effective Date;

(iii) Investments by the Borrower or its Subsidiaries in Foreign Subsidiaries *provided that*, immediately after each such Investment is made, the aggregate amount of such Investments then outstanding (the amount of each such Investment being measured at the time such Investment was made) (and without duplication of amounts subsequently invested by the recipient thereof in another Foreign Subsidiary) shall not exceed 5% of the Borrower's Consolidated Net Worth (measured at the time each such Investment is made) *plus* the amount invested on the Effective Date;

(iv) Investments consistent with the investment policy attached hereto as Schedule II;

(v) Investments by Insured Subsidiaries as are necessary to comply with the provisions of the Community Reinvestment Act;

(vi) Investments consisting of credit card loans made by Insured Subsidiaries pursuant to the terms of any applicable credit card accounts owned by Insured Subsidiaries;

(vii) Restricted Acquisitions permitted under Section 6.21(b);

(viii) Investments made in connection with Qualified Securitization Transactions;

(ix) Investments in the form of loans to WFNNB *provided that* immediately after each such loan is made, the aggregate outstanding principal amount of all such loans shall not exceed $100,000,000;

(x) Investments in the form of loans to Insured Subsidiaries other than WFNNB *provided that* immediately after each such loan is made, the aggregate outstanding principal amount of all such loans shall not exceed $20,000,000; and

(xi) any Investment not otherwise permitted by the foregoing clauses of this Section if, immediately after such Investment is made or acquired, the aggregate net book value of all Investments permitted by this clause (xi) (measured at the time each such Investment is made) does not exceed 5% of Consolidated Net Worth of the Borrower.

(b) The Borrower and its Subsidiaries may make Restricted Acquisitions so long as:

(i) the Borrower and its Subsidiaries shall be in compliance with all provisions of this Agreement, including all financial covenants, both before and after giving effect thereto, with such financial covenants to be calculated on a *pro forma* basis as if such Restricted Acquisition had been consummated on the first day of the then most recently ended period of twelve consecutive fiscal months and giving effect to (x) the actual historical financial performance (including Consolidated Operating EBITDA) of such acquired entity and (y) identifiable cost savings associated with providing data processing services to such acquired entities as reasonably approved by the Administrative Agent;

(ii) the total consideration paid (including equity issued and Debt assumed) in connection with any Restricted Acquisition of a Person which as a result thereof does not become a Wholly-Owned Subsidiary of the Borrower when added to the total consideration paid (including equity issued and Debt assumed) in connection with each other Restricted Acquisition of a Person which as a result thereof did not become a Wholly-Owned Subsidiary of the Borrower consummated in the same fiscal year, shall not exceed 10% of the Borrower's Consolidated Net Worth calculated at the end of the immediately preceding fiscal year;

(iii) such Restricted Acquisition is not a Hostile Acquisition; and

(iv) the Borrower complies with Section 6.18.

Section 6.22. Consolidated Capital Expenditures. The Borrower shall not, and shall not permit its Subsidiaries to make Consolidated Capital Expenditures in any fiscal year exceeding 30% of the Borrower's previous fiscal year's Consolidated Operating EBITDA.

Section 6.23. Limitation on Voluntary Payments and Modifications of Certain Indebtedness. The Borrower will not, and will not permit any of its Subsidiaries to, (i) make (or give any notice in respect of) any voluntary or optional payment or prepayment on or redemption or acquisition for value of, or make any prepayment or redemption as a result of any asset sale, change of control or similar event of (including, in each case, without limitation, by way of depositing with the trustee with respect thereto or any other Person, money or securities before due for the purpose of paying when due) any Permitted Subordinated Debt or (ii) amend or modify, or permit the amendment or modification of, any provision of the agreements evidencing the Permitted Subordinated Debt in any way that would cause such Debt to no longer constitute Permitted Subordinated Debt. Notwithstanding any other provision of this Agreement and the other Credit Documents, the Borrower may prepay the WCAS Subordinated Note at any time.

Section 6.24. No Restrictions. Except as provided herein, the Borrower will not, and will not permit any Subsidiary to, directly or indirectly create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Insured Subsidiary to: (a) pay dividends or make any other distribution on any Subsidiary's capital stock or other equity interests owned by the Borrower or any other Subsidiary, (b) pay any indebtedness owed to the Borrower or any other Subsidiary, (c) make loans or advances to the Borrower or any other Subsidiary or (d) transfer any of its property to the Borrower or any other Subsidiary, except encumbrances and restrictions of the types described below:

(1) encumbrances and restrictions contained in this Agreement and the other Credit Documents;

(2) customary supermajority voting provisions and other customary provisions with respect to the disposition or distribution of assets, each contained in corporate charters, bylaws, stockholders' agreements, limited liability company agreements, partnership agreements, joint venture agreements and other similar agreements;

(3) encumbrances and restrictions required by law or by any regulatory authority having jurisdiction over such Insured Subsidiary or any of their businesses;

(4) customary restrictions in agreements governing Liens permitted under Section 6.9 provided that such restrictions relate solely to the property subject to such Lien;

(5) encumbrances and restrictions contained in any merger agreement or any agreement for the sale or other disposition of an asset, including, without limitation, the capital stock or other equity interest of a Subsidiary, *provided, that* such restriction is limited to the asset that is the subject of such agreement for sale or disposition and such disposition is made in compliance with Section 6.7;

(6) encumbrances and restrictions contained in contracts (other than relating to Debt) entered into in the ordinary course of business that do not, in the aggregate, detract from the value of the property or assets of the Borrower or any Subsidiary in any material manner (including, without limitation, non-assignment provisions in leases and licenses);

(7) encumbrances and restrictions contained in Permitted Subordinated Debt; and

(8) encumbrances and restrictions contained in any agreement or instrument, capital stock or other equity interest that amends, modifies, restates, renews, increases, supplements, refunds, replaces, extends or refinances any agreement, instrument or capital stock or equity interest described in clauses (1)-(8) of this Section, from time to time, in whole or in part, *provided that* the

encumbrances or restrictions set forth therein are not more restrictive than those contained in the predecessor agreement, instrument or capital stock or other equity interest.

Section 6.25. Guarantors. The Borrower will (a) cause each Material Domestic Subsidiary to execute this Agreement as a Guarantor (and from and after the Effective Date cause each Material Domestic Subsidiary to execute and deliver to the Administrative Agent, as promptly as possible, but in any event within thirty (30) days after becoming a Material Domestic Subsidiary of the Borrower, an executed Guarantor Supplement to become a Guarantor hereunder (whereupon such Subsidiary shall become a "Guarantor" under this Agreement)), and (b) deliver and cause each such Subsidiary to deliver corporate resolutions, opinions of counsel, and such other corporate documentation as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent; *provided, however,* that upon the Borrower's written request of and certification to the Administrative Agent that a Subsidiary is no longer a Material Domestic Subsidiary, the Administrative Agent shall release such Subsidiary from its duties and obligations hereunder and under its Guarantor Supplement; *provided, further,* that if such Subsidiary subsequently qualifies as a Material Domestic Subsidiary, it shall be required to re-execute the Guarantor Supplement. Notwithstanding the foregoing, the provisions of this Section 6.25 shall not be applicable with respect to Insured Subsidiaries, Qualified Securitization Subsidiaries and Subsidiaries of Foreign Subsidiaries, Insured Subsidiaries and Qualified Securitization Subsidiaries.

ARTICLE 7

DEFAULTS

Section 7.1. Events of Default. If one or more of the following events ("*Events of Default*") shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal of any Loan or Unpaid Drawing or shall fail to pay within 3 Business Days from the date due any interest, any fees or any other amount payable hereunder;

(b) any Credit Party shall fail to observe or perform any covenant contained in Article 6 (other than those contained in Sections 6.1 through 6.3 inclusive, Section 6.5 or Section 6.6);

(c) any Credit Party shall fail to observe or perform any covenant or agreement contained in this Agreement, or the Pledge Agreements, (other than those covered by clause (a) or (b) above) for 30 days after notice thereof has been given to the applicable Credit Party by the Administrative Agent at the request of the Required Banks;

(d) any representation, warranty, certification or statement made by any Credit Party in any Credit Document or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) any Credit Party or any Subsidiary of any of them shall fail to make any payment in respect of any Material Financial Obligations when due or within any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt of any Credit Party or any Subsidiary of a Credit Party or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) any Credit Party or any Subsidiary of any of them shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, examiner or other similar official of it

or any substantial part of its property, or shall consent to any such relief or to the appointment of, or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing or any Insured Subsidiary shall cease to be a federally insured depositary institution, or a cease and desist order which is material and adverse to the conduct of such Insured Subsidiary's business or assets shall be issued against the Borrower or any Subsidiary pursuant to applicable federal or state law applicable to banks or thrifts, or the Borrower or any Subsidiary shall enter into any commitment to maintain the capital of an insured depository institution in a required amount with any federal or state regulator or any such regulator shall require the Borrower or any Subsidiary to submit a capital maintenance or restoration plan;

(h) an involuntary case or other proceeding shall be commenced against any Credit Party or any Subsidiary of any of them seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, examiner or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against any Credit Party or any Subsidiary of either of them under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $10,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of $10,000,000;

(j) judgments or orders for the payment of money aggregating in excess of $10,000,000 shall be rendered against the Borrower or any of its Subsidiaries and such judgments or orders shall continue unsatisfied and unstayed for a period of 30 days;

(k) a Change of Control shall occur;

(l) any Credit Party shall assert any claim that the security interest in the Collateral granted by such Credit Party to the Collateral Agent pursuant to the Pledge Agreements is unenforceable, is other than first-priority or is otherwise invalid;

(m) any Guarantor shall revoke its guaranty provided for in Article 10 of this Agreement or assert that its guaranty provided for in Article 10 of this Agreement is unenforceable or otherwise invalid except as permitted hereunder;

(n) at any time, the Collateral is transferred in violation of the terms of either Pledge Agreement; and

(o) any License Agreement shall terminate or any arbitration or litigation shall be commenced seeking termination thereof (except that any litigation or arbitration commenced by a Person who is not a party to such License Agreement shall not result in an Event of Default hereunder unless such action is not stayed or dismissed within 60 days of the commencement

thereof), or any party shall assert any termination thereof, or any party to any License Agreement shall default in any of its material obligations thereunder beyond the period of grace (if any) therein provided;

then, and in every such event, the Administrative Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments and they shall thereupon terminate, (ii) if requested by Banks holding more than 50% of the aggregate principal amount of the Loans, by notice to the Borrower declare the Loans (together with accrued interest thereon and any commitment fee) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, notice of acceleration, notice of intent to accelerate, protest or other notice of any kind, all of which are hereby waived by the Borrower; *provided,* that in the case of any of the Events of Default specified in clause 7.1(g) or 7.1(h) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or the Banks, the Commitments shall thereupon terminate and the Loans (together with accrued interest thereon and any commitment fee) shall become immediately due and payable without presentment, demand, notice of acceleration, notice of intent to accelerate, protest or other notice of any kind, all of which are hereby waived by the Borrower and (iii) if requested by the Required Banks (w) enforce, as Collateral Agent, any or all of the Liens and security interests created pursuant to the Pledge Agreements; (x) terminate any Letter of Credit which may be terminated in accordance with its terms; (y) direct the Borrower to pay (and the Borrower hereby agrees upon receipt of such notice, or upon the occurrence of any Event of Default specified in clauses 7.1(g) and 7.1(h) in respect of the Borrower, it will pay) to the Collateral Agent at its Payment Office such additional amounts of cash, to be held as security for the Borrower's reimbursement obligations in respect of Letters of Credit then outstanding equal to the aggregate Stated Amount of all Letters of Credit then outstanding; and (z) apply any cash collateral held pursuant to this Agreement to repay the Obligations.

Section 7.2. Notice of Default. (a) The Borrower shall comply with Section 6.1(f).

(b) The Administrative Agent shall give notice to the Borrower as provided in Section 7.1(c) promptly upon being requested to do so by the Required Banks and shall thereupon notify all the Banks thereof.

ARTICLE 8

THE AGENT

Section 8.1. Appointment and Authorization. (a) Each Bank irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

Section 8.2. Administrative Agent and Affiliates. The Administrative Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and the Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Administrative Agent.

Section 8.3. Action by Administrative Agent. The obligations of the Administrative Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 7.

Section 8.4. Consultation with Experts. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower and/or any Guarantor), independent public accountants and

other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 8.5. Liability of Administrative Agent. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks (or, when expressly required hereby, such different number of Banks required to consent to or request such action or inaction) or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any Borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Guarantor; (iii) the satisfaction of any condition specified in Article 3, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

Section 8.6. Indemnification. Each Bank shall, ratably in accordance with its Commitment, indemnify the Administrative Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnities, gross negligence or willful misconduct) that such indemnities may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnities hereunder.

Section 8.7. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 8.8. Successor Administrative Agent. The Administrative Agent may resign at any time by giving notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint a successor Administrative Agent, subject to the consent of the Borrower if no Event of Default exists (such consent not to be unreasonably withheld). If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, subject to the consent of the Borrower if no Event of Default exists (such consent not to be unreasonably withheld), which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $100,000,000. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring

Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

Section 8.9. Intercreditor Agreement and Pledge Agreements. Each Bank authorizes the Administrative Agent to enter into each of the Intercreditor Agreement and the Pledge Agreements on behalf and for the benefit of such Bank and to take all actions contemplated by such documents, including, without limitation, all enforcement actions.

ARTICLE 9

CHANGE IN CIRCUMSTANCES

Section 9.1. Basis for Determining Interest Rate Inaccurate or Unfair. If on, or prior to, the first day of any Interest Period for a Euro-Dollar Loan:

(a) the Administrative Agent determines that deposits in Dollars (in the applicable amounts) are not being offered to the Administrative Agent in the Euro-Dollar market for such Interest Period, or

(b) Banks having 50% or more of the aggregate principal amount of the affected Loans advise the Administrative Agent that the London Interbank Offered Rate, as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make Euro-Dollar Loans or to continue or convert outstanding Loans as or into Euro-Dollar Loans shall be suspended and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Should either of the events set forth in subclause (a) or (b) above occur, unless the Borrower notifies the Administrative Agent at least two Business Days before the date of any Borrowing of Euro-Dollar Loans for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 9.2. Illegality. If, on or after the Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central Bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans or to convert outstanding Loans into Euro-Dollar Loans shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding shall be converted to a Base Rate Loan either (a) on the last day of the then current Interest Period applicable to such Loan if such Bank may lawfully continue to maintain and fund such

Loan to such day or (b) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 9.3. Increased Cost and Reduced Return. (a) If on or after the Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement with respect to which such Bank is entitled to compensation during the relevant Interest Period under Section 2.15), special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or the London interbank market any other condition affecting its Loans, its Note or its obligation to make Loans and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that after the Effective Date, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the Effective Date, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

Section 9.4. Taxes. (a) For the purposes of this Section 9.4, the following terms have the following meanings:

"*Taxes*" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by the Borrower or the applicable Guarantor, as the case may be, pursuant to this Agreement or under any Note, and all liabilities with respect thereto, *excluding* (i) in the case of each Bank and the Administrative Agent, taxes imposed on its income, receipts, capital and franchise or similar taxes imposed on it, by a jurisdiction under the laws of

which such Bank or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Bank, in which its Applicable Lending Office is located and (ii) in the case of each Bank, any United States withholding tax imposed on such payments but only to the extent that such Bank is subject to United States withholding tax at the time such Bank first becomes a party to this Agreement.

"*Other Taxes*" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note.

(b) Any and all payments by the Borrower or the applicable Guarantor, as the case may be, to or for the account of any Bank or the Administrative Agent hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes; *provided*, that, if the Borrower or the applicable Guarantor, as the case may

be, shall be required by law to deduct any Taxes or Other Taxes from any such payments (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower or the applicable Guarantor, as the case may be, shall make such deductions, (iii) the Borrower or the applicable Guarantor, as the case may be, shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower or the applicable Guarantor, as the case may be, shall furnish to the Administrative Agent, at its address referred to in Section 11.1, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Borrower agrees to indemnify each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by such Bank or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be paid within 15 days after such Bank or the Administrative Agent (as the case may be) makes demand therefor.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Bank remains lawfully able to do so), shall provide the Borrower and the Administrative Agent with Internal Revenue Service form W-8 BEN or W-8ECI, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which exempts the Bank from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Bank or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States.

(e) For any period with respect to which a Bank has failed to provide the Borrower or the Administrative Agent with the appropriate form pursuant to Section 9.4(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 9.4(b) or (c) with respect to Taxes imposed by the United States; *provided* that if a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section, then such Bank will change the jurisdiction of its Applicable Lending office if, in the judgment of such Bank, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Bank.

Section 9.5. Base Rate Loans Substituted for Affected Fixed Rate Loans. If (i) the obligation of any Bank to make, or convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 9.2 or (ii) any Bank has demanded compensation under Section 9.3 or 9.4 with respect to its Euro-Dollar Loans and the Borrower shall, by at least five Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist:

(a) all Loans which would otherwise be made by such Bank as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks); and

(b) after each of its Euro-Dollar Loans has been repaid (or converted to a Base Rate Loan), all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Base Rate Loans instead.

If such Bank notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Banks.

Section 9.6. Limitations on Reimbursement. (a) The Borrower shall not be required to pay to any Bank reimbursement with regard to any costs or expenses under Section 2.15, 2A.6 or Article 9 incurred more than 90 days prior to the date of the relevant Bank's demand therefor.

(b) None of the Banks shall be permitted to pass through to the Borrower charges and costs under Section 2.15 or 2A.6 or Article 9 on a discriminatory basis (*i.e.,* which are not also passed through by such Bank to other customers of such Bank similarly situated where such customer is subject to documents providing for such pass through).

(c) If the obligation of any Bank to make a Eurodollar Loan has been suspended under Section 9.2 or 9.5 for more than three consecutive months, or any Bank has requested compensation under Section 2.15 or 9.3, then the Borrower, provided no Default exists, shall have the right, subject to the Administrative Agent's prior written consent (such consent not to be unreasonably withheld) and in accordance with Section 11.6(c), to substitute a financial institution for such Bank. Such substitution shall result in such financial institution acquiring such Bank's rights, duties and obligations hereunder and assuming such Bank's Commitment hereunder. Upon such acquisition and assumption, the obligations of the Bank subject thereto shall be discharged, such Bank's Commitment shall be reduced to zero, and such Bank shall cease to be obligated to make further Loans.

ARTICLE 10

PERFORMANCE AND PAYMENT GUARANTY

Section 10.1. Unconditional and Irrevocable Guaranty. (a) The Guarantors hereby jointly and severally, unconditionally and irrevocably undertake and agree with and for the benefit of the Administrative Agent and the Banks and each of their respective permitted assignees (collectively, the "*Beneficiaries*") to cause the due payment, performance and observance by the Borrower and its assigns of all of the Obligations, terms, covenants, conditions, agreements and undertakings on the part of the Borrower, to be paid, performed or observed under any Credit Document in accordance with the terms

thereof including, without limitation, any agreement of the Borrower to pay any amounts due with respect to the Loans, under this Agreement or any other amounts due and owing under any Credit Document (all such Obligations, terms, covenants, conditions, agreements and undertakings on the part of the Borrower to be paid, performed or observed by the Borrower being collectively called the "*Guaranteed Obligations*"). In the event that the Borrower shall fail in any manner whatsoever to pay, perform or observe any of the Guaranteed Obligations when the same shall be required to be paid, performed or observed under such Credit Document (after giving effect to any cure period), then each of the Guarantors will itself jointly and severally duly pay, perform or observe, or cause to be duly paid, performed or observed, such Guaranteed Obligation, and it shall not be a condition to the accrual of the obligation of any Guarantor hereunder to pay, perform or observe any Guaranteed Obligation (or to cause the same to be paid, performed or observed) that the Administrative Agent, the Banks or any of their permitted assignees shall have first made any request of or demand upon or given any notice to any Guarantor or to the Borrower or its successors or assigns, or have instituted any action or proceeding against any Guarantor or the Borrower or its successors or assigns in respect thereof. Notwithstanding anything to the contrary contained in this Section 10.1 the obligations of the respective Guarantors hereunder in respect of the Borrower are expressly limited to the Guaranteed Obligations.

(b) *Irrevocability*. The Guarantors each agree that its obligations under this Agreement shall be joint and several and irrevocable. In the event that under applicable law (notwithstanding the Guarantors' agreement regarding the joint and several and irrevocable nature of its obligations hereunder) any Guarantor shall have the right to revoke its guaranty under this Agreement, this Agreement shall continue in full force and effect as to such Guarantor until a written revocation hereof specifically referring hereto, signed by such Guarantor, is actually received by the Administrative Agent, delivered as provided in Section 11.1 hereof. Any such revocation shall not affect the right of the Administrative Agent or any other Beneficiary to enforce their respective rights under this Agreement with respect to (i) any Guaranteed Obligation (including any Guaranteed Obligation that is contingent or unmatured) which arose on or prior to the date the aforementioned revocation was received by the Administrative Agent, (ii) any Collateral in which a security interest was acquired by the Administrative Agent or its permitted assignees on or prior to the date the aforementioned revocation was received by the Administrative Agent or (iii) any other Guarantor. If the Administrative Agent, or its permitted assignees takes any action in reliance on this Agreement after any such revocation by a Guarantor but prior to the receipt by the Administrative Agent of said written notice, the rights of the Administrative Agent, any other Beneficiary or such permitted assignee with respect thereto shall be the same as if such revocation had not occurred.

Section 10.2. Enforcement. The Administrative Agent and its permitted assignees may proceed to enforce the obligations of the Guarantors under this Agreement without first pursuing or exhausting any right or remedy which the Administrative Agent or its permitted assignees may have against the Borrower, any other Person or the collateral under the Credit Documents.

Section 10.3. Obligations Absolute. To the extent permitted by law, the applicable Guarantor will perform its obligations under this Agreement regardless of any law now or hereafter in effect in any jurisdiction affecting any of the terms of this Agreement or any document delivered in connection with this Agreement or the rights of the Administrative Agent or its permitted assignees with respect thereto. The obligations of each Guarantor under this Agreement shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability or the discharge or disaffirmance (by any Person, including a trustee in bankruptcy) of the Guaranteed Obligations, the Loans, any Credit Document or any Collateral or any document, or any other agreement or instrument relating thereto;

(b) any exchange, release or non-perfection of any Collateral or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(c) any failure to obtain any authorization or approval from or other action by, or to notify or file with, any governmental authority or regulatory body required in connection with the performance of such obligations by the Borrower or any Guarantor; or

(d) any impossibility or impracticality of performance, illegality, *force majeure*, any act of any government or any other circumstance which might constitute a legal or equitable defense available to, or a discharge of, the Borrower or any Guarantor, or any other circumstance, event or happening whatsoever, whether foreseen or unforeseen and whether similar or dissimilar to anything referred to above in this Section 10.3.

Each Guarantor further agrees that its obligations under this Agreement shall not be limited by any valuation or estimation made in connection with any proceedings involving the Borrower or any Guarantor filed under the Bankruptcy Code of 1978, as amended (the "*Bankruptcy Code*"), whether pursuant to Section 502 of the Bankruptcy Code or any other Section thereof. Each Guarantor further agrees that the Administrative Agent shall be under no obligation to marshall any assets in favor of or against or in payment of any or all of the Guaranteed Obligations. Each Guarantor further agrees that, to the extent that a payment or payments are made by or on behalf of the Borrower to the Administrative Agent, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to the Borrower, the estate, trustee, receiver or any other party relating to the Borrower, including, without limitation, any Guarantor, under any bankruptcy law, state or federal law, common law or equitable cause then, to the extent of such payment or repayment, the Guaranteed Obligations or part thereof which had been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred. The obligations of any Guarantor under this Agreement shall not be discharged except by performance as provided herein.

Section 10.4. Waiver. Each Guarantor hereby waives promptness, diligence, notice of acceleration, notice of intent to accelerate, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and any Credit Document and any requirement that the Administrative Agent or its permitted assignees exhaust any right or take any action against the Borrower, any other Person or any collateral under the Credit Documents.

Section 10.5. Subrogation. No Guarantor will exercise or assert any rights which it may acquire by way of subrogation under this Agreement unless and until all of the Guaranteed Obligations shall have been paid and performed in full. If any payment shall be made to any Guarantor on account of any subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid and performed in full each and every amount so paid will be held in trust for the benefit of the Beneficiaries and forthwith be paid to the appropriate Beneficiary in accordance with this Agreement and the appropriate Credit Document, to be credited and applied to the Guaranteed Obligations to the extent then unsatisfied, in accordance with the terms of this Agreement or any document delivered in connection with this Agreement, as the case may be. In the event (i) the Guarantors shall have satisfied any of the Guaranteed Obligations and (ii) all of the Guaranteed Obligations shall have been paid and performed in full, the Administrative Agent will, at the Guarantors' request and expense, execute and deliver to the Guarantors appropriate documents, without recourse and without representation or warranty of any kind, necessary to evidence or confirm the transfer by way of subrogation to the Guarantors of the rights of the Beneficiaries or any permitted assignee, as the case may be, with respect to the Guaranteed Obligations to which the Guarantors shall have become entitled by way of subrogation, and thereafter the Beneficiaries and their respective permitted assignees shall have no responsibility to the Guarantors or any other person with respect thereof.

Section 10.6. Survival. All covenants made by the Guarantors herein shall be considered to have been relied upon by the Administrative Agent and the Banks and shall survive regardless of any investigation made by the Administrative Agent or any Bank or on the Administrative Agent's behalf.

Section 10.7. Guarantors' Consent to Assigns. Each Bank may assign or participate out all or any portion of its Commitment or the Loans in accordance with Section 11.6 of this Agreement, and each Guarantor agrees to recognize any such Assignee or participant as a successor and assignee of such Bank hereunder, with all rights of such Bank hereunder.

Section 10.8. Continuing Agreement. Article 10 under this Agreement is a continuing agreement and shall remain in full force and effect until all of the Borrower's Obligations have been satisfied in full.

ARTICLE 11

MISCELLANEOUS

Section 11.1. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, facsimile transmission or similar writing) and shall be given to such party: (a) in the case of a Credit Party or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof, (b) in the case of any Bank, at its address or facsimile number set forth on the signature pages hereof or (c) in the case of any party, such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; *provided* that notices to the Administrative Agent under Article 2 or Article 9 shall not be effective until received.

Section 11.2. No Waivers. No failure or delay by the Administrative Agent or any Bank in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 11.3. Expenses; Indemnification. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Administrative Agent, including fees and disbursements of counsel for the Administrative Agent, in connection with the preparation and administration of this Agreement and the other Credit Documents, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and each Bank, including (without duplication) the fees and disbursements of outside counsel and the allocated cost of inside counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify the Administrative Agent and each Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "*Indemnitee*") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; *provided*, that no Indemnitee shall have the right to be

indemnified hereunder for (i) such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction or (ii) for any loss asserted by another Indemnitee.

Section 11.4. Sharing of Set-Offs. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks in accordance with their Percentages; *provided*, that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness hereunder. Each Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

Section 11.5. Amendment or Waiver, etc. Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and the Required Banks, *provided* that no such change, waiver, discharge or termination shall, without the consent of each Bank (with Obligations being directly affected in the case of following clauses (i) and (ii)), (i) extend the final scheduled maturity of any Loan or Note, or reduce the rate of interest or fees or extend the time of payment of interest or fees, or reduce the principal amount thereof (except to the extent repaid in cash) (*provided* that any amendment or modification to the financial definitions in this Agreement or to Section 2.14 shall not constitute a reduction in the rate of interest or any fees for purposes of this clause (i)), (ii) release all or substantially all of the Collateral, (iii) release a Guarantor from its Guaranty of the Obligations of the Borrower (except in connection with the sale of a Subsidiary which is a Guarantor in accordance with the terms of this Agreement or as otherwise provided in Section 6.25), (iv) amend, modify or waive any provision of this Section 11.5, (v) reduce the percentage specified in the definition of Required Banks (it being understood that, with the consent of the Required Banks, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Banks on substantially the same basis as the extensions of Commitments are included on the Effective Date), (vi) amend or modify any provision of Section 11.6 to add any additional consent requirements necessary to effect any assignment or participation thereunder or (vii) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement; *provided, further,* that no such change, waiver, discharge or termination shall (v) without the consent of each Letter of Credit Issuer amend, modify or waive any provision of Article 2A or alter its rights or obligations with respect to Letters of Credit, (w) without the consent of the Swing Lender amend, modify or waive any provision of Section 2.1(b) through (f) or alter its rights or

obligations with respect to Swing Loans, (x) increase the Commitments of any Bank over the amount thereof then in effect without the consent of such Bank (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of a mandatory reduction in the Total Commitments shall not constitute an increase of the Commitment of any Bank, and that an increase in the available portion of any Commitment of any Bank shall not constitute an increase of the Commitment of such Bank), (y) without the consent of the Administrative Agent, amend, modify or waive any provision of Article 8 or any other provision as the same relates to the rights or obligations of the Administrative Agent, or (z) without the consent of the Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent.

Section 11.6. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that neither the Borrower nor any Guarantor may assign or otherwise transfer any of their respective rights under this Agreement without the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "*Participant*") participating interests in its Commitment or any or all of its Loans. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement except to the extent such amendment or waiver would (i) extend the final scheduled maturity of any Loan or Note in which such participant is participating, or reduce the rate or extend the time of payment of interest or fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Total Commitment shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof), (ii) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement or (iii) release all or substantially all of the Collateral under the Pledge Agreements (except as expressly provided in the Credit Documents). In the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto) and all amounts payable by the Borrower hereunder shall be determined as if such Bank had not sold such participation. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 9 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank (or any Bank together with one or more other Banks) may (A) assign all or a portion of its Commitments and related outstanding Obligations hereunder to (i) its parent company and/or any affiliate of such Bank which is at least 50% owned by such Bank or its parent company, (ii) to one or more Banks or (iii) in the case of a Bank that is a fund that invests in bank loans, any other fund that invests in bank loans and is managed or advised by the same investment advisor of such Bank or by an Affiliate of such investment advisor or (B) assign all, or, if less than all, a portion equal to at least $5,000,000 in the aggregate for the assigning Bank or assigning Banks, of such Commitments and related outstanding Obligations hereunder to one or more Eligible Transferees, each of which assignees shall become a party to this Agreement as a Bank by execution of an Assignment and Assumption Agreement, *provided* that, (i) at such time Schedule I shall be deemed modified to reflect the Commitments of such new Bank and of the existing Banks, (ii) upon the surrender of the relevant Notes by the assigning Bank (or, upon such assigning Bank's indemnifying the Borrower for any lost Note pursuant to a customary indemnification agreement) new Notes will be issued, at the Borrower's expense, to such new Bank and to the assigning Bank upon the request of such new Bank or assigning Bank, such new Notes to be in conformity with the requirements of Section 2.4 (with appropriate modifications) to the extent needed to reflect the revised Commitments, (iii) the consent of the Administrative Agent, each Letter of Credit Issuer and the Swing Lender shall be required in

connection with any assignment to an Eligible Transferee pursuant to clause (B) above (which consent shall not be unreasonably withheld or delayed), (iv) so long as no Default or Event of Default exists, the consent of the Borrower shall be required in connection with any assignment to an Eligible Transferee pursuant to clause (B) above (which consent shall not be unreasonably withheld or delayed), (v) the Administrative Agent shall receive at the time of each such assignment, from the assigning or assignee Bank, the payment of a non-refundable assignment fee of $3,500, which fee shall not be subject to reimbursement from the Borrower and (vi) no such transfer or assignment will be effective until recorded by the Administrative Agent. To the extent of any assignment pursuant to this Section 11.6(c), the assigning Bank shall be relieved of its obligations hereunder with respect to its assigned Commitments. At the time of each assignment pursuant to this Section 11.6(c) to a Person which is not already a Bank hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Bank shall, to the extent legally entitled to do so, provide to the Borrower the appropriate Internal Revenue Service forms described in Section 9.4(d).

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) Notwithstanding anything to the contrary contained herein, any Bank (a "*Granting Bank*") may grant to a special purpose funding vehicle (a "*SPC*"), identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; *provided that* (i) nothing herein shall constitute a commitment by any SPC to make any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Bank shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Loan were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof relating to claims, if any, under this Agreement. In addition, notwithstanding anything to the contrary contained in this subsection (e), any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Bank or to any financial institutions (consented to by the Borrower and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial

paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This section may not be amended without the written consent of the SPC.

(f) No assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 9.3 or 9.4 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made (i) with the Borrower's prior written consent or (ii) by reason of the provisions of Section 9.2, 9.3 or 9.4 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or (iii) at a time when the circumstances giving rise to such greater payment did not exist.

Section 11.7. Collateral. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

Section 11.8. Governing Law; Submission to Jurisdiction. THIS AGREEMENT AND EACH NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. The Borrower hereby submit to the nonexclusive jurisdiction of the United States District Court for the Northern District of Illinois and of any Illinois State court sitting in the City of Chicago for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 11.9. Counterparts; Integration; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party) and each of the other conditions specified in Section 3.1 have been satisfied.

Section 11.10. Waiver of Jury Trial. EACH OF THE BORROWER, THE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 11.11. Limitation on Interest. It is the intention of the parties hereto to comply with all applicable usury laws, whether now existing or hereafter enacted. Accordingly, notwithstanding any provision to the contrary in this Agreement, the other Credit Documents or any other document evidencing, securing, guaranteeing or otherwise pertaining to indebtedness of the Borrower to the Banks, in no contingency or event whatsoever, whether by acceleration of the maturity of indebtedness of the Borrower to the Banks or otherwise, shall the interest contracted for, charged or received by any Bank exceed the maximum amount permissible under applicable law. If from any circumstances whatsoever fulfillment of any provisions of this Agreement, the other Credit Documents or any other document evidencing, securing, guaranteeing or otherwise pertaining to indebtedness of the Borrower to the Banks, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, *ipso facto,* the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances any Bank shall ever receive anything of value as interest or deemed interest by applicable law under this Agreement, the other Credit Documents or any other document evidencing, securing, guaranteeing or otherwise pertaining to indebtedness of the Borrower to the Banks or otherwise an amount that would exceed the highest lawful amount, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing in connection with this Agreement or on account of any other indebtedness of the Borrower to the Banks, and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal owing in connection with this Agreement and such other indebtedness, such excess shall be refunded to the Borrower. In determining whether or not the interest paid or payable with respect to indebtedness of the Borrower to the Banks, under any specific contingency, exceeds the maximum nonusurious rate permitted under applicable law, the Borrower and the Banks shall, to the maximum

extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, (c) amortize, prorate, allocate and spread the total amount of interest throughout the full term of such indebtedness so that the actual rate of interest on account of such indebtedness does not exceed the maximum amount permitted by applicable law, and/or (d) allocate interest between portions of such indebtedness, to the end that no such portion shall bear interest at a rate greater than that permitted by law. Notwithstanding the foregoing, if for any period of time interest on any of the Borrower's Obligations is calculated at the maximum rate permissible under applicable law rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the maximum rate permissible under applicable law, the rate of interest payable on the Borrower's Obligations shall remain at the maximum rate permissible under applicable law until the Banks have received the amount of interest which such Banks would have received during such period on the Borrower's Obligations had the rate of interest not been limited to the maximum rate permissible under applicable law during such period. The terms and provisions of this paragraph shall control and supersede every other conflicting provision of this Agreement and the other Credit Documents.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION,
as Borrower

By /s/ Robert P. Armiak

Name Robert P. Armiak, CCM

Title Senior Vice President, Treasurer

Address: 800 Tech Center Drive
Gahanna, OH 43230
Attention: Treasurer
Telephone: (614) 729-4701
Facsimile: (614) 729-4899

With a copy to:

Address: 17655 Waterview Parkway
Dallas, TX 75252
Attention: General Counsel
Telephone: (972) 348-5677
Facsimile: (972) 348-5150

ADS ALLIANCE DATA SYSTEMS, INC., as a Guarantor

By /s/ Robert P. Armiak

Name Robert P. Armiak, CCM

Title Senior Vice President, Treasurer

Address: 800 Tech Center Drive
Gahanna, OH 43230
Attention: Treasurer
Telephone: (614) 729-4701
Facsimile: (614) 729-4899

With a copy to:

Address: 17655 Waterview Parkway
Dallas, TX 75252
Attention: General Counsel
Telephone: (972) 348-5677
Facsimile: (972) 348-5150

HARRIS TRUST AND SAVINGS BANK, as Administrative Agent

By /s/ Thad D. Rasche

Name Thad D. Rasche

Title Vice President

Address: 111 West Monroe Street
Chicago, IL 60603
Attention: Thad Rasche
Telephone: (312) 461-5739
Facsimile: (312) 461-5225

SUNTRUST BANK

By /s/ BRIAN K. PETERS

Name Brian K. Peters

Title Managing Director

Address: 303 Peachtree St.
N.E. 3rd Floor Mail Code 1921
Atlanta, GA 30308
Attention: Brian Peters
Telephone: (404) 827-6118
Facsimile: (404) 588-8833

BANK ONE, NA, (Main Office Chicago)

By /s/ MARK WASDEN

Name Mark Wasden

Title Director

Address: 1 Bank One Plaza
IL1 0085
Chicago, IL 60670
Attention: Mark Wasden
Telephone: (312) 336-2989
Facsimile: (312) 732-6222

WACHOVIA BANK, N.A.

By /s/ ANNE L. SAYLES

Name Anne L. Sayles

Title Director

Address: 191 Peachtree Street
Mail Code: GA8050
Atlanta, GA 30303
Attention: Anne Sayles
Telephone: (404) 332-4088
Facsimile: (404) 332-4048

JPMORGAN CHASE BANK

By /s/ MICHAEL J. LISTER

Name Michael J. Lister, Vice President

Title JP Morgan Chase Bank

Address: 2200 Ross Avenue
3rd Floor
Dallas, TX 75201
Attention: Mike Lister
Telephone: (214) 965-2891
Facsimile: (214) 965-2044

HUNTINGTON NATIONAL BANK

By /s/ NANCY J. CRACOLICE

Name Nancy J. Cracolice

Title Vice President

Address: 41 South High Street HC0810
Columbus, OH 43215
Attention: Nancy Cracolice
Telephone: (614) 480-4401
Facsimile: (614) 480-5791

BEAR STERNS CORPORATE LENDING INC.

By /s/ KEITH C. BARNISH

Name Keith C. Barnish

Title Executive Vice President

Address: 383 Madison Avenue
8th Floor
New York, NY 10179
Attention: Victor F. Bulzaochelli
Telephone: (212) 272-3042
Facsimile: (212) 272-9184

CREDIT SUISSE FIRST BOSTON
Cayman Island Branch

By /s/ GUY M. BARON CHRISTOPHER LALLY

Name Guy M. Baron Christopher Lally

Title Associate Vice President

Address: Eleven Madison Avenue
5th Floor
New York NY 10010
Attention: Guy Baron
Telephone: (212) 325-7315
Facsimile: (646) 935-7837

U.S. BANK N.A.

By /s/ JOSEPH L. SOOTER, JR.

Name Joseph L. Sooter, Jr.

Title Vice President

Address: One US Bank Plaza
SL-MDST12M
St. Louis, MO 63101
Attention: Joseph Sooter
Telephone: (314) 418-2462
Facsimile: (314) 418-3859

UNION BANK OF CALIFORNIA, N.A.

By /s/ MARC SCHAEFER

Name Marc Schaefer

Title Vice President

Address: 445 South Figueroa Street
18th Floor
Los Angeles, CA 90071
Attention: Jeremy Weinman
Telephone: (213) 236-7737
Facsimile: (213) 236-7814

FIFTH THIRD BANK

By /s/ JOHN K. BEARDSLEE

Name John K. Beardslee

Title Vice President

Address: 21 East State Street
Columbus, OH 43215
Attention: John Beardslee
Telephone: (614) 223-3982
Facsimile: (614) 341-2606

BARCLAYS BANK PLC

By /s/ ALISON A. MCGUIGAN

Name Alison A. McGuigan

Title Associate Director

Address: 200 Park Avenue
New York, NY 10166
Attention: Alison McGuigan
Telephone: (212) 412-7672
Facsimile: (212) 412-5610

SCHEDULE I

COMMITMENTS

BANK		AMOUNT
Harris Trust and Savings Bank	$	5,000,000
SunTrust Bank	$	25,000,000
Bank One, N.A.	$	5,000,000
Wachovia Bank, N.A.	$	5,000,000
JPMorgan Chase Bank	$	5,000,000
Huntington National Bank	$	15,000,000
Barclays Bank PLC	$	15,000,000
Fifth Third Bank	$	15,000,000
Credit Suisse First Boston	$	20,000,000
Union Bank of California, N.A.	$	10,000,000
Bear Sterns Corporate Lending, Inc.	$	20,000,000
U.S. Bank, N.A.	$	10,000,000
TOTAL	$	150,000,000

SCHEDULE II

ALLIANCE DATA SYSTEMS CORPORATION

INVESTMENT POLICY

STATEMENT OF PURPOSE

The purpose of this policy is to institute proper guidelines for the ongoing management of the cash investments of Alliance Data Systems Corp. and its subsidiaries.

INVESTMENT OBJECTIVES

The assets are to be invested in a manner, which preserves capital, provides adequate liquidity, maintains appropriate diversification and generates returns relative to these guidelines and prevailing market conditions. The intent is that all of the investments shall be held to maturity.

RESPONSIBILITIES

A. It is the responsibility of the Board of Directors of the Company to adopt the Investment Policy.

B. It is the responsibility of the Treasurer or the Chief Financial Officer to implement the Investment Policy of the Company including the direction of purchases and sales of securities.

C. The approval of either the Treasurer or the Chief Financial Officer shall be required to transfer Company funds to Company banks or investment accounts.

D. The Treasurer and Chief Financial Officer may employ the services of a Bank or a Registered Investment Advisor to direct a portion or all of the investment activities of the Company consistent with the guidelines set forth in the Investment Policy. The firms selected must maintain a net worth of at least $1 billion.

E. The Treasurer and Chief Financial Officer will monitor ongoing investment activities to insure that proper liquidity is being maintained and that the investment strategy is consistent with the Company objectives.

F. The Treasurer or the Chief Financial Officer will report to the Board of Directors quarterly concerning the investment performance during the most recent quarter.

ALLIANCE DATA SYSTEMS CORPORATION AND SUBSIDIARIES

INVESTMENT GUIDELINES

A. *Appropriate Investments*

1. Direct obligations of the U.S. or Canadian Treasury including Treasury Bills, Notes and Bonds. Canadian Government Debt must be rated A or better.

2. Federal Agency Securities which carry the direct or implied guarantee of the U.S. Government including Government National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association, Student Loan Marketing Association, and World Bank. Investments can include Notes, Discount Notes, Medium Term Notes and Floating Rate Notes.

3. Certificates of Deposit, Guaranteed Investment Contracts, Banker's Acceptance and Time Deposits including Eurodollar denominated and Yankee issues. Investments will be limited to those institutions with total assets in excess of $1 billion and which carry a short term rating of "A2" or "P2" or "F2" or better, or a Keefe Bruyette and Woods rating of at least "A" or better.

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4. Corporate Securities (including commercial paper or loan participations) and corporate debt instruments (including medium term notes and floating rate notes) issued by Canadian or U.S. corporations and carry a minimum long term rating of "A" or short term rating of "A2" or "P2" or "F2" or "R1 (L)" or better.

5. Tax Exempt Securities including municipal notes, commercial paper, auction rate floaters, and floating rate notes rated A2 or P2 or F2 or better; Municipal Notes rated SP-2/MIG-2/VMIG-2 or better, or a long term rating of "A" or better.

6. Auction rate preferred stock or bonds issued with a rate reset mechanism and a maximum term of 180 days. Investment will be limited to those issuers who have a minimum long term rating of "A" or short term rating of "A2" or "P2" or "F2" or "R1 (L)" or better.

7. Money market mutual funds, which offer daily purchase and redemption and maintain a constant share price (no equities allowed).

8. Repurchase Agreements. The underlying collateral (of at least 102%) shall consist of US Government obligations and/or government agency securities. Investments in repurchase agreements may not exceed 3 days.

B. Investment Concentration Limits

1. Investments rated AAA (long term) or A1 (short term) or equivalent—no limit.

2. Investments rated AA or equivalent—not to exceed 70% of total portfolio.

3 Investments rated A (long term) or A2 (short term) or equivalent—not to exceed 30% of total portfolio.

4. Bank or Insurance Company obligations—not to exceed 50% of total portfolio.

5. Money Market Mutual Funds—no limit.

6. Repurchase Agreements—30% of total portfolio.

7. No individual investment shall be in excess of $10 million USD (or equivalent).

MATURITY LIMITS

1. No investments may exceed 5 years to maturity.

2. Commercial Paper/Loan Participations/Master Notes may not exceed 180 days.

3. A minimum of 30% of the portfolio must have a maturity of 1 year or less.

SAFEKEEPING

All securities firms with whom the Company does business must be qualified to safekeep securities on the Company's behalf at no charge. The CFO or Treasurer will authorize these firms to hold securities.

WAIVERS

In certain circumstances the appropriate investment criteria and portfolio concentration limits may be temporarily waived by the Chief Financial Officer for a period not to exceed four (4) weeks. Any waivers granted during a fiscal year will be reported to the ADS Board of Directors annually.

INVESTMENT POLICY REVIEW

This policy will be reviewed annually by the CFO and Treasurer to ensure that it remains consistent with the financial objectives of the Company and current market conditions.

APPENDIX I

PRICING SCHEDULE

"*Euro-Dollar Margin*" means, (i) for any day during the period from the Effective Date through but excluding the first Start Date (as defined below) to occur on or about June 30, 2003, 1.50% per annum and (ii) from and after the first day of any fiscal quarter of the Borrower beginning on or about June 30, 2003 (the "*Start Date*") to and including the last day of such fiscal quarter, the applicable percentage per annum set forth below in the appropriate row under the column corresponding to the Borrower's Senior Leverage Ratio as calculated for the last day of the fiscal quarter of the Borrower ended immediately prior to such Start Date; provided that at all times during which financial statements have not been delivered when required pursuant to Section 6.1(a) or (b), as the case may be, the Euro-Dollar Margin shall be as set forth below under the column heading "*Level III.*"

"*Base Rate Margin*" means 0%.

"*Swing Margin*" means 0%.

"*Applicable Commitment Fee Percentage*" means, (i) for any day during the period from the Effective Date through but excluding the first Start Date (as defined below) to occur on or about June 30, 2003, .30% per annum and (ii) from and after the first day of any fiscal quarter of the Borrower beginning on or about June 30, 2003 (the "*Start Date*") to and including the last day of such fiscal quarter, the applicable percentage per annum set forth below in the appropriate row under the column corresponding to the Borrower's Senior Leverage Ratio as calculated for the last day of the fiscal quarter of the Borrower ended immediately prior to such Start Date; provided that at all times during which financial statements have not been delivered when required pursuant to Section 6.1(a) or (b), as the case may be, the Applicable Commitment Fee Percentage shall be as set forth below under the column heading "*Level III*".

Status	Level I	Level II	Level III
Senior Leverage Ratio	<1.00	³1.00<1.50	³1.50
Euro-Dollar Margin	1.00%	1.25%	1.50%
Applicable Commitment Fee Percentage	.10%	.20%	.30%

EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

Date: ,

Reference is made to the Credit Agreement (3-Year) described in Item 2 of Annex I attached hereto (as such Credit Agreement (3-Year) may hereafter be amended, modified or supplemented from time to time, the "*Credit Agreement*"). Unless defined in Annex I attached hereto, terms defined in the Credit Agreement are used herein as therein defined. (the "*Assignor*") and (the "*Assignee*") hereby agree as follows:

1. The Assignor hereby sells and assigns to the Assignee without recourse and without representation or warranty (other than as expressly provided herein), and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the date hereof which represents the percentage interest specified in Item 4 of Annex I attached hereto (the "*Assigned Share*") of all of Assignor's outstanding rights and obligations under the Credit Agreement indicated in Item 4 of such Annex I, including, without limitation, in the case of any assignment of all or any portion of the Assignor's outstanding Commitment, all rights and obligations with respect to the Assigned Share of such Commitment and of the Loans related thereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any liens or security interests; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the other Credit Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or the other Credit Documents or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any of its Subsidiaries or the performance or observance by the Borrower or any of its Subsidiaries of any of their obligations under the Credit Agreement or the other Credit Documents or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) represents and warrants that it is duly authorized to enter into and perform the terms of this Assignment and Assumption Agreement; (ii) confirms that it has received a copy of the Credit Agreement and the other Credit Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption Agreement; (iii) agrees that it will, independently and without reliance upon the Administrative Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iv) appoints and authorizes the Administrative Agent and the Collateral Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Credit Documents as are delegated to the Administrative Agent and the Collateral Agent by the terms thereof, together with such powers as are reasonably incidental thereto[;] [and] (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank[; and (vi) to the extent legally entitled to do so, attaches the forms described in Section 9.4(d) of the Credit Agreement.](1)

(1) If the Assignee is organized under the laws of a jurisdiction outside the United States.

4. Following the execution of this Assignment and Assumption Agreement by the Assignor and the Assignee, an executed original hereof (together with all attachments) will be delivered to the Administrative Agent. The effective date of this Assignment and Assumption Agreement shall

be the date of execution hereof by the Assignor, the Assignee and the consent hereof by the Administrative Agent (and if required by the terms of the Credit Agreement, the consent of the Borrower, which consents will not be unreasonably withheld), the recordation by the Administrative Agent of the assignment effected hereby in the Register and the receipt by the Administrative Agent of the applicable assignment fee referred to in Section 11.6(c) of the Credit Agreement, unless otherwise specified in Item 5 of Annex I attached hereto (the "*Settlement Date*").

5. Upon the delivery of a fully executed original hereof to the Administrative Agent, as of the Settlement Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment or Assumption Agreement, have the rights and obligations of a Bank thereunder and under the other Credit Documents and (ii) the Assignor shall, to the extent provided in this Assignment or Assumption Agreement, relinquish its rights and be released from its obligations under the Credit Agreement and the other Credit Documents.

6. It is agreed that upon the effectiveness hereof, the Assignee shall be entitled to (x) all interest on the Assigned Share of the Loans at the rates specified in Item 6 of Annex I attached hereto, and (y) all commitment fees (if applicable) on the Assigned Share of the Commitment, at the rates specified in Item 7 of Annex I attached hereto, which, in each case, accrue on and after the Settlement Date, such interest and, if applicable, commitment fees to be paid by the Administrative Agent directly to the Assignee. It is further agreed that all payments of principal made by the Borrower on the Assigned Share of the Loans which occur on and after the Settlement Date will be paid directly by the Administrative Agent to the Assignee. Upon the Settlement Date, the Assignee shall pay to the Assignor an amount specified by the Assignor in writing which represents the Assigned Share of the principal amount of the Loans made by the Assignor pursuant to the Credit Agreement which are outstanding on the Settlement Date, net of any closing costs, and which are being assigned hereunder. The Assignor and the Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Settlement Date directly between themselves.

7. This Assignment Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

* * *

In Witness Whereof, the parties hereto have caused this Assignment and Assumption Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[Name of Assignor], as Assignor

By _____

Title _____

[Name of Assignee], as Assignee

By _____

Title _____

Acknowledged and Agreed:

HARRIS TRUST AND SAVINGS BANK, as Administrative Agent

By _____

Title _____

Acknowledged and Agreed:

ALLIANCE DATA SYSTEMS CORPORATION

By _____

Title _____

ANNEX I

ANNEX FOR ASSIGNMENT AGREEMENT

1. The Borrower: Alliance Data Systems Corporation

2. Name and Date of Credit Agreement: Credit Agreement (3-Year), dated as of April 10, 2003, among the Borrowers, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer

3. Date of Assignment Agreement: ,

4. Amounts (as of date of item #3 above):

5. Settlement Date: ,

6. Rate of Interest to the Assignee: As set forth in Section 2.6 of the Credit Agreement (unless otherwise agreed to by the Assignor and the Assignee).(2)

(2) The Borrower and the Administrative Agent shall direct the entire amount of the interest to the Assignee at the rate set forth in Section 2.6 of the Credit Agreement, with the Assignor and Assignee effecting any agreed upon sharing of interest through payments by the Assignee to the Assignor.

7. Commitment Fees As set forth in Section 2.7(a) of the Credit Agreement (unless otherwise agreed to by the Assignor and the Assignee). (3)

(3) The Borrower and the Administrative Agent shall direct the entire amount of the commitment fees to the Assignee at the rate set forth in Section 2.7(a) of the Credit Agreement, with the Assignor and the Assignee effecting any agreed upon sharing of fees through payment by the Assignee to the Assignor.

8. Notices: Assignor:

Attention:

Telephone No.:

Facsimile No.:

Assignee:

Attention:

Telephone No.:

Facsimile No.:

9. Payment Instructions: Assignor:

ABA No.:

Account No.:

Reference:

Attention:

Assignee:

ABA No.:

Account No.:

Reference:

Attention:

EXHIBIT B-1

REVOLVING NOTE

Chicago, Illinois
, 2003

For value received, Alliance Data Systems Corporation, a Delaware corporation (the "*Borrower*"), promises to pay to the order of [Name of Bank] (the "*Bank*"), the unpaid principal amount of each Revolving Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Revolving Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Harris Trust and Savings Bank (the "*Administrative Agent*") at 111 West Monroe Street, Chicago, Illinois (or, at such other office as the Administrative Agent has previously notified the Borrower in accordance with Article 2 of the Credit Agreement).

All Revolving Loans made by the Bank, the respective types thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Revolving Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided, that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Revolving Notes referred to in the Credit Agreement (3-Year) dated as of April 10, 2003, among Alliance Data Systems Corporation, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

ALLIANCE DATA SYSTEMS CORPORATION

By

Name

Title

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan	Amount of Principal Repaid	Notation Made By

EXHIBIT B-2

SWING NOTE

Chicago, Illinois
, 2003

For value received, Alliance Data Systems Corporation, a Delaware corporation (the "*Borrower*"), promises to pay to the order of [Name of Bank] (the "*Bank*"), the unpaid principal amount of each Swing Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Swing Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Harris Trust and Savings Bank (the "*Administrative Agent*") at 111 West Monroe Street, Chicago, Illinois (or at such other office as the Administrative Agent has previously notified the Borrower in accordance with Article 2 of the Credit Agreement).

All Swing Loans made by the Bank and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Swing Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; *provided,* that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Swing Notes referred to in the Credit Agreement (3-Year) dated as of April 10, 2003, among Alliance Data Systems Corporation, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

ALLIANCE DATA SYSTEMS CORPORATION

By _____

Name _____

Title _____

LOANS AND PAYMENTS OF PRINCIPAL

DATE	AMOUNT OF LOAN	AMOUNT OF PRINCIPAL REPAID	NOTATION MADE BY

EXHIBIT C

FORM OF GUARANTOR SUPPLEMENT

,

Harris Trust and Savings Bank, as Administrative Agent for the Banks party to the Credit Agreement (3-Year) dated as of April 10, 2003 among Alliance Data Systems Corporation, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*")

Ladies and Gentlemen:

Reference is made to the Credit Agreement described above. Terms not defined herein which are defined in the Credit Agreement shall have for the purposes hereof the meaning provided therein.

The undersigned, **[name of Subsidiary Guarantor]**, a **[jurisdiction of incorporation]** corporation, hereby acknowledges that it is a "*Guarantor*" for all purposes of the Credit Agreement, effective from the date hereof. The undersigned confirms that the representations and warranties set forth in Article 5 of the Credit Agreement are true and correct as to the undersigned as of the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

Without limiting the generality of the foregoing, the undersigned hereby agrees to perform all the obligations of a Guarantor under, and to be bound in all respects by the terms of, the Credit Agreement, including without limitation Article 10 thereof, to the same extent and with the same force and effect as if the undersigned were a direct signatory thereto.

This Agreement shall be construed in accordance with and governed by the internal laws of the State of New York.

Very truly yours,

[NAME OF SUBSIDIARY GUARANTOR]

By _____

Name _____

Title _____

EXHIBIT D

COMMITMENT AMOUNT INCREASE REQUEST

,

Harris Trust and Saving Bank,
as Administrative Agent
111 West Monroe Street
Chicago, Illinois 60603

Attention: Agency Services

Re: Credit Agreement (3-Year) dated as of April 10, 2003 among Alliance Data Systems Corporation, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*")

Ladies and Gentlemen:

In accordance with the Credit Agreement, the Borrower on behalf of the Borrower and Guarantors hereby requests that the Administrative Agent, each Letter of Credit Issuer and the Swing Lender consent to an increase in the aggregate Commitments (the "*Commitment Amount Increase")*, in accordance with Section 2.16 of the Credit Agreement, to be effected by **[an increase in the Commitment of [name of existing Bank] the addition of [name of new Bank] (the *"New Bank"*) as a Bank under the terms of the Credit Agreement]**. Capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.

After giving effect to such Commitment Amount Increase, and upon the effectiveness of the Commitment Amount Increase, **[Name of existing Bank] [the New Bank]** shall have a Commitment of $.

[Include paragraphs 1-4 for a New Bank]

1. The New Bank hereby confirms that it has received a copy of the Credit Documents and the exhibits and schedules related thereto, together with copies of the documents which were required to be delivered under the Credit Agreement as a condition to the making of the Loans and other extensions of credit thereunder. The New Bank acknowledges and agrees that it has made and will continue to make, independently and without reliance upon the Administrative Agent or any other Bank and based on such documents and information as it has deemed appropriate, its own credit analysis and decisions relating to the Credit Agreement. The New Bank further acknowledges and agrees that the Administrative Agent has not made any representations or warranties about the creditworthiness of the Borrower or any Guarantor or any other party to the Credit Agreement or any other Credit Document or with respect to the legality, validity, sufficiency or enforceability of the Credit Agreement or any other Credit Document or the value of any security therefor.

2. Except as otherwise provided in the Credit Agreement, effective as of the date of acceptance hereof by the Administrative Agent, the New Bank (i) shall be deemed automatically to have become a party to the Credit Agreement and have all the rights and obligations of a "*Bank*" under the Credit Agreement as if it were an original signatory thereto and (ii) agrees to be bound by the terms and conditions set forth in the Credit Agreement as if it were an original signatory thereto.

---

3. The New Bank hereby advises you of the following administrative details with respect to its Loans and Revolving Loan Commitment:

(A) Notices:

Institution Name: _____

Address: _____

_____

Telephone: _____

Facsimile: _____

(B) Payment Instructions:

(C) Effective date of Commitment Amount Increase, which shall not be earlier than 5 Business Days after the date hereof:

[4. The New Bank has delivered, if appropriate, to the Borrower and the Administrative Agent (or is delivering to the Borrower and the Administrative Agent concurrently herewith) the tax forms referred to in the Credit Agreement.]*

---

* Insert bracketed paragraph if New Bank is organized under the law of a jurisdiction other than the United States of America or a state thereof.

THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACTUAL OBLIGATION UNDER, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Commitment Amount Increase shall be effective when the executed consent of the Administrative Agent, each Letter of Credit Issuer and the Swing Lender is received or otherwise in accordance with Section 2.16, of the Credit Agreement, but not in any case prior to , . It shall be a condition to the effectiveness of the Commitment Amount Increase that (i) all fees and expenses referred to in Section 2.16 of the Credit Agreement shall have been paid and (ii) no Euro-Dollar Loans shall be outstanding on the date of such effectiveness.

The Borrower hereby certifies that no Default has occurred and is continuing.

Please indicate consent to such Commitment Amount Increase by signing the enclosed copy of this letter in the space provided below.

Very truly yours,

ALLIANCE DATA SYSTEMS CORPORATION

By _____

Name: _____

Title: _____

[NEW BANK/BANK INCREASING COMMITMENTS]

By: _____

Name: _____

Title: _____

The undersigned hereby consents on this day of , to the above-requested Commitment Amount Increase.

HARRIS TRUST AND SAVINGS BANK,
as Administrative Agent

By: _____

Name: _____

Title: _____

_____

as Letter of Credit Issuer

By: _____

Name: _____

Title: _____

_____

as Swing Lender

By: _____

Name: _____

Title: _____

Use these links to rapidly review the document
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EXHIBIT 10.3

U.S. $150,000,000

CREDIT AGREEMENT (364-DAY)

dated as of April 10, 2003

among

ALLIANCE DATA SYSTEMS CORPORATION,
as Borrower,

THE GUARANTORS PARTY HERETO,

THE BANKS PARTY HERETO,

HARRIS TRUST AND SAVINGS BANK,
as Letter of Credit Issuer,

and

HARRIS TRUST AND SAVINGS BANK,
as Administrative Agent

SUNTRUST CAPITAL MARKETS, INC.

and

BMO NESBITT BURNS,
as Joint-Lead Arrangers

and

SUNTRUST BANK,
as Syndication Agent

and

US Bookrunner

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This CREDIT AGREEMENT (364-DAY), dated as of April 10, 2003, is entered into by and among ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (the "*Borrower*"), the Guarantors from time to time party hereto, the Banks from time to time party hereto, and HARRIS TRUST AND SAVINGS BANK, as Administrative Agent and Letter of Credit Issuer.

WHEREAS, the Borrower has requested that the Banks provide a 364-day credit facility to the Borrower on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following terms, as used herein, have the following meanings:

"*Administrative Agent*" means Harris Trust and Savings Bank in its capacity as agent for the Banks hereunder, and its successors in such capacity.

"*ADSI*" means ADS Alliance Data Systems, Inc., a Delaware corporation.

"*ADSNZ*" means ADSNZ Alliance Data Systems New Zealand, a New Zealand corporation.

"*Affected Loans*" has the meaning set forth in Section 2.11(c).

"*Affiliate*" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "*Controlling Person*") or (ii) any Person (other than the Borrower or a Subsidiary thereof) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to vote 10% or more of any class of voting securities of a Person or to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise. The Affiliate of a Person shall include any officer or director of such Person.

"*Agreement*" means this Credit Agreement (364-Day), as modified, supplemented, amended, restated (including any amendment and restatement hereof), extended, renewed or refinanced from time to time.

"*Applicable Commitment Fee Percentage*" means a rate per annum equal to the applicable rate specified in the pricing schedule attached hereto as Appendix 1.

"*Applicable Lending Office*" means, with respect to any Bank, (i) in the case of its Base Rate Loans, its Domestic Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

"*Assignment and Assumption Agreement*" means an appropriately completed Assignment and Assumption Agreement in the form of Exhibit A hereto.

"*Bank*" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 11.6(c), and their respective successors.

"*Base Rate*" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of $^{1}/_{2}$ of 1% plus the Federal Funds Rate for such day.

"*Base Rate Loan*" means (i) a Loan which bears interest at the Base Rate pursuant to the provisions of Articles 2 or 9 hereof or (ii) an overdue amount which was a Base Rate Loan immediately before it became overdue.

"*Base Rate Margin*" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"*Beneficiaries*" has the meaning set forth in Section 10.1.

"*Benefit Arrangement*" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"*Borrower*" has the meaning provided in the first paragraph of this Agreement.

"*Borrowing*" has the meaning set forth in Section 1.3.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in Chicago, Illinois are authorized by law to close and, if the applicable Business Day relates to an advance or continuation of, or conversion into, or payment of, a Euro-Dollar Loan, on which commercial banks are open for international business (including dealing in U.S. Dollar deposits) in London, England.

"*Canadian Credit Agreement*" means the Canadian Credit Agreement dated as of April 10, 2003 among Loyalty Management, the guarantors from time to time party thereto, the financial institutions from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent, as the same may be amended, modified, supplemented, replaced or refinanced from time to time.

"*Canadian Pledge Agreement*" means the Pledge Agreement, dated as of April 10, 2003, by and between the Borrower, Loyalty Management, ADSI and the Collateral Agent, as such agreement may be amended, modified or supplemented from time to time.

"*Canadian Scheme License*" means the Amended and Restated License to Use and Exploit the Air Miles Scheme in Canada, made as of July 24, 1998, between Air Miles International Trading B.V. and Loyalty Management, as such may be amended from time to time.

"*Canadian Trademark License*" means the Amended and Restated License to Use the Air Miles Trade Marks in Canada, dated July 24, 1998, between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc., as such may be amended from time to time.

"*Change of Control*" means (i) the Borrower shall cease to own and control 100% of the capital stock of Loyalty Management, (ii) the Borrower shall cease to own and control 100% of the capital stock of WFNNB or (iii) the acquisition by any "*person*" or "*group*" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) at any time of beneficial ownership of 30% or more of the outstanding Voting Stock of the Borrower on a fully-diluted basis, other than acquisitions of such interests by the Welsh, Carson, Anderson & Stowe Partnerships or The Limited; *provided*, that common stock owned by employees (either individually or through employee stock ownership or other stock based benefit plans) of the Borrower and its Subsidiaries shall not be included in the calculation of ownership interests for purposes of this definition or any "change of control."

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect on the Effective Date and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"*Collateral*" means the "Collateral," as defined in the Pledge Agreements.

"*Collateral Agent*" means Harris Trust and Savings Bank, acting as Collateral Agent on behalf of the Secured Creditors, and its successors in such capacity.

"*Commitment*" means, (i) with respect to each Bank listed on the signature pages hereof, the amount set forth opposite its name on Schedule I hereto under the heading "Commitment" and (ii) with respect to each assignee that becomes a Bank pursuant to Section 11.6(c), the amount of the Commitment thereby assumed by it, in each case as such amount may be increased pursuant to

Section 2.16, increased or reduced from time to time pursuant to Section 11.6(c) or reduced from time to time pursuant to Section 2.8.

"*Commitment Amount Increase*" has the meaning set forth in Section 2.16.

"*Commitment Amount Increase Request*" means a Commitment Amount Increase Request in the form of Exhibit D.

"*Consolidated Capital Expenditures*" of any Person means, for any period, the additions to property, plant and equipment and other capital expenditures of such Person and its Consolidated Subsidiaries for such period, as the same are or would be set forth in a consolidated statement of cash flows of such Person and its Consolidated Subsidiaries for such period.

"*Consolidated Debt*" of any Person means, at any date, the Debt of such Person and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"*Consolidated EBIT*" of any Person means, for any period, Consolidated Net Income of such Person for such period, adjusted by adding thereto the Total Interest Expense determined on a consolidated basis and taxes based on income, all with respect to such period.

"*Consolidated Interest Expense*" of any Person means, for any period, the Total Interest Expense of such Person and its Consolidated Subsidiaries determined on a consolidated basis for such period.

"*Consolidated Net Income*" of any Person means, for any fiscal period, the net income of such Person and its Consolidated Subsidiaries, determined on a consolidated basis for such period, exclusive of the effect of any extraordinary or other nonrecurring gain and loss and excluding all non-cash adjustments; *provided that* any cash payment made (or received) with respect to any such non-cash charge, expense or loss shall be subtracted (added) in computing Consolidated Net Income during the period in which such cash payment is made (or received).

"*Consolidated Net Worth*" of any Person means at any date the consolidated stockholders' equity of such Person and its Consolidated Subsidiaries.

"*Consolidated Operating EBITDA*" of any Person means, for any fiscal period, Consolidated EBIT for such Person for such period, adjusted by (i) adding thereto the amount of all depreciation and amortization expenses that were deducted in determining Consolidated EBIT, (ii) adding thereto the change from the prior period in the Deferred Revenue Account, and (iii) subtracting therefrom the change from the prior period in the Restricted Cash Account.

"*Consolidated Subsidiary*" of any Person means, at any date, any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date.

"*Consolidated Total Assets*" of any Person means total assets of such Person and its Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles.

"*Credit Document*" means this Agreement, the Notes, the Pledge Agreements, the Related Credit Agreement, the Canadian Credit Agreement, the WFNNB Note and each other document (including any additional guarantees) executed or delivered in connection herewith or therewith.

"*Credit Party*" shall mean each Borrower, each Guarantor, and with respect to its obligations under the WFNNB Note only, WFNNB.

"*Debt*" of any Person means at any date, without duplication (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of

property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all non-contingent obligations (and, for purposes of Section 6.9, Section 6.15 and the definitions of "Material Debt" and "Material Financial Obligations," all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vi) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, and (vii) all Debt of others Guaranteed by such Person, but excluding Qualifying Deposits.

"*Default*" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"*Deferred Revenue Account*" means the account on the consolidating balance sheet of the Borrower associated solely with the change in revenue recognition by Loyalty Management as required by the Securities and Exchange Commission of the United States of America.

"*Delinquency Ratio*" means, for any calendar month, the percentage equivalent of a fraction (a) the numerator of which is the aggregate amount of all Managed Receivables the minimum payments on which are more than 90 days contractually overdue and (b) the denominator of which is all Managed Receivables, in each case determined as of the last day of such calendar month.

"*Derivatives Obligations*" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions), any transaction whose value is derived from another asset or security, or any combination of the foregoing transactions.

"*Dollars*" and "*$*" means freely transferable lawful money of the United States of America.

"*Domestic Lending Office*" means, as to each Bank, its office identified as such on the signature page hereto or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent.

"*Domestic Subsidiary*" means any Subsidiary of the Borrower incorporated or organized in the United States or any state or territory thereof.

"*Effective Date*" means April 10, 2003.

"*Eligible Transferee*" means and includes a commercial bank, insurance company, financial institution, fund or other Person (other than a natural person) which regularly purchases interests in loans or extensions of credit of the types made pursuant to this Agreement, any other Person (other than a natural person) which would constitute a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act as in effect on the Effective Date or other "accredited investor" (other than a natural person) (as defined in Regulation D of the Securities Act).

"*Environmental Laws*" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal,

transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the cleanup or other remediation thereof.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"*ERISA Group*" of any Person means such Person, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Code.

"*Euro-Dollar Lending Office*" means, as to each Bank, its office, branch or affiliate identified as such on the signature pages hereto or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

"*Euro-Dollar Loan*" means (i) a Loan which bears interest at a Euro-Dollar Rate or (ii) an overdue amount which was a Euro-Dollar Loan immediately before it became overdue.

"*Euro-Dollar Margin*" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"*Euro-Dollar Rate*" means a rate of interest determined pursuant to Section 2.6(b) on the basis of the London Interbank Offered Rate.

"*Event of Default*" has the meaning set forth in Section 7.1.

"*Existing Credit Facilities*" means (i) that certain Amended and Restated Credit Agreement, dated as of July 24, 1998 and amended and restated as of October 22, 1998, among the Borrower, Loyalty Management, the guarantors from time to time party thereto, the banks from time to time party thereto and Harris Trust and Savings Bank, as administrative agent, as amended to the Effective Date, and (ii) that certain 364-Day Credit Agreement, dated as of May 22, 2002, by and among the Borrower, Loyalty Management, the guarantors from time to time party thereto, the banks from time to time party thereto and Harris Trust and Savings Bank, as administrative agent.

"*Federal Funds Rate*" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided*, that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"*Foreign Pension Plan*" means any plan, fund (including, without limitation, any superannuation fund) or other similar program established or maintained outside the United States of America by the Borrower or any one or more of its Subsidiaries primarily for the benefit of employees of the Borrower or such Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"*Foreign Subsidiary*" means each Subsidiary of the Borrower other than a Domestic Subsidiary.

"*Guaranteed Obligations*" has the meaning set forth in Section 10.1.

"*Guarantor*" means ADSI and each other direct and indirect Material Domestic Subsidiary of the Borrower that becomes a Guarantor from time to time after the Effective Date pursuant to Section 6.25.

"*Guarantor Supplement*" means an appropriately completed Guarantor Supplement substantially in the form of Exhibit C hereto.

"*Guaranty*" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance

or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the holder of such Debt of the payment thereof to protect such holder against loss in respect thereof (in whole or in part), *provided*, that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranty" used as a verb has a corresponding meaning.

"*Hazardous Substances*" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"*Hostile Acquisition*" means the acquisition of the capital stock or other equity interests of a Person through a tender offer or similar solicitation of the owners of such capital stock or other equity interests which has not been approved (prior to such acquisition) by resolutions of the Board of Directors of such Person or by similar action if such Person is not a corporation, and as to which such approval has not been withdrawn.

"*Indemnitee*" has the meaning set forth in Section 11.3(b).

"*Insured Subsidiary*" means a Subsidiary of the Borrower which is an "insured depository institution" under and as defined in the Federal Deposit Insurance Act (12 U.S.C. 1813(c)(2)) or any successor statute.

"*Intellectual Property*" has the meaning set forth in Section 4.12.

"*Intercompany Note*" means a promissory note made by an Insured Subsidiary other than WFNNB payable to the order of the Borrower or any of its Domestic Subsidiaries (other than an Insured Subsidiary or a Qualified Securitization Subsidiary or a Subsidiary of a Foreign Subsidiary, Insured Subsidiary or Qualified Securitization Subsidiary).

"*Intercreditor Agreement*" means the Intercreditor and Collateral Agency Agreement dated as of April 10, 2003, among the Collateral Agent, the financial institutions party to the Related Credit Agreement, the financial institutions party to the Canadian Credit Agreement and the Banks party hereto, as such may be amended from time to time.

"*Interest Coverage Ratio*" of any Person means, for any period, the ratio of Consolidated Operating EBITDA of such Person for such period to Consolidated Interest Expense of such Person for such period.

"*Interest Period*" means with respect to each Euro-Dollar Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the

applicable Notice of Interest Period Election and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; *provided* that:

(i) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month; and

(iii) any Interest Period which would otherwise end after the Maturity Date shall end on the Maturity Date (unless such date is not a Business Day, in which case such Interest Period shall end on the latest Business Day to occur prior to the Maturity Date).

"*Investment*" means any investment in any Person, whether by means of share purchase, capital contribution, loan, Guaranty, time deposit or otherwise (but not including any demand deposit).

"*License Agreements*" means the Canadian Trademark License, the US Trademark License, the Canadian Scheme License, and the US Scheme License.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"*Loan*" means a loan made by a Bank pursuant to Section 2.1; *provided,* that if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "*Loan*" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"*London Interbank Offered Rate*" means, for any Interest Period, with respect to any Euro-Dollar Loan, either (i) the rate per annum (rounded upward, if necessary to the next higher 1/100 of 1%) for deposits in Dollars for a period equal to such Interest Period, which appears on Telerate Page 3750 (or any successor page) as of 11:00 a.m. (London, England time) on the day two Business Days before the commencement of such Interest Period or (ii) if the rate in clause (i) of this definition is not shown for any particular day, the rate per annum (rounded upward, if necessary, to the next higher 1/100 of 1%) at which deposits in Dollars are offered to the Administrative Agent in the London interbank market at approximately 11:00 a.m. (London, England time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loans of the Administrative Agent to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"*Loyalty Management*" means Loyalty Management Group Canada Inc., an Ontario corporation.

"*Managed Receivables*" of any Person means for any date all credit card receivables originated by such Person as of such date regardless of whether such credit card receivables are determined, with respect to such Person's financial statements, to be "on-balance sheet" or "off-balance sheet."

"*Material Debt*" means Debt (other than the Loans hereunder) (i) of a Person and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding $25,000,000, (ii) under the Related Credit Agreement and (iii) under the Canadian Credit Agreement.

"*Material Domestic Subsidiary*" means each direct or indirect Domestic Subsidiary which (i) owned as of the end of the most recently completed fiscal quarter (or, in the case of an acquired Subsidiary, on a *pro forma* basis would have owned) assets that represent in excess of 10% of the Consolidated Total Assets of the Borrower as of the end of such fiscal quarter or (ii) generated (or, in the case of an acquired Subsidiary, on a *pro forma* basis would have generated) annual revenues in excess of 10% of the consolidated total revenues for the Borrower and its Consolidated Subsidiaries for the most recently completed fiscal year.

"*Material Financial Obligations*" of any Person means a principal or face amount of Debt and/or payment or collateralization obligations in respect of Derivatives Obligations of such Person and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, exceeding in the aggregate $25,000,000.

"*Material Plan*" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $10,000,000.

"*Maturity Date*" means April 8, 2004.

"*Multiemployer Plan*" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"*Note*" has the meaning set forth in Section 2.4(a).

"*Notice of Borrowing*" has the meaning set forth in Section 2.2.

"*Notice of Interest Period Election*" has the meaning set forth in Section 2.9.

"*Obligations*" means (i) all amounts owing to the Administrative Agent, the Collateral Agent or any Bank pursuant to the terms of this Agreement or any other Credit Document and (ii) so long as there are amounts owing under clause (i), Derivative Obligations from time to time owed to a Person that, at the time of incurrence thereof, was a Bank or an Affiliate of a Bank.

"*Parent*" means, with respect to any Bank, any Person controlling such Bank.

"*Participant*" has the meaning set forth in Section 11.6(b).

"*Payment Office*" means the office of the Administrative Agent located at 111 West Monroe Street, Chicago, Illinois 60603, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"*PBGC*" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"*Percentage*" means at any time for each Bank with a Commitment, the percentage obtained by dividing such Bank's Commitment by the Total Commitment, *provided* that if the Total Commitment has been terminated, the Percentage of each Bank shall be determined by dividing such Bank's Commitment immediately prior to such termination by the Total Commitment immediately prior to such termination.

"*Permitted Subordinated Debt*" means subordinated Debt of the Borrower, *provided* that (i) the Administrative Agent and the Banks shall have been given prompt notice of the issuance of such Debt, together with a certificate signed by a senior financial officer of the Borrower showing *pro forma* compliance with the financial covenants contained in Sections 6.11 and 6.13 after giving effect to such issuance of Debt, (ii) such Debt shall be expressly subordinated in right of payment to the Obligations in a manner reasonably acceptable to the Administrative Agent, (iii) such Debt shall be unsecured and unguaranteed other than guarantees issued by a Guarantor which are subordinated in right of payment to the obligations of such Guarantor hereunder pursuant to subordination terms reasonably acceptable to the Administrative Agent, (iv) such Debt shall have a maturity not earlier than the date which is six months after the latest of the Maturity Date and the final maturity of the loans outstanding under the Related Credit Agreement or Canadian Credit Agreement and no amortization or sinking fund payments shall be required in respect of such Debt prior to such date and (v) no covenant or default applicable to such debt shall be more restrictive than those contained in this Agreement and the subordination provisions, covenants and defaults pertaining to such Debt, taken as a whole, shall be no more restrictive, and no less favorable to the Banks, than those customarily applicable to publicly issued subordinated indebtedness. "*Permitted Subordinated Debt*" shall include any Guaranties thereof permitted under clause (iii) above.

"*Person*" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"*Plan*" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"*Pledge Agreement*" means the Pledge Agreement, dated as of April 10, 2003, by and between the Borrower, the Guarantors, and the Collateral Agent, as such agreement may be amended, modified or supplemented from time to time.

"*Pledge Agreements*" means the Pledge Agreement and the Canadian Pledge Agreement.

"*Prime Rate*" means the rate of interest announced or otherwise established by the Administrative Agent from time to time as its Prime Rate.

"*Qualified Securitization Subsidiary*" means a Subsidiary that is a special purpose entity used in connection with a Qualified Securitization Transaction.

"*Qualified Securitization Transaction*" means a securitization or other sale or financing of credit card receivables.

"*Qualifying Deposits*" means deposits that are (i) insured by the Federal Deposit Insurance Corporation and (ii) do not exceed the difference between (A) the amount of seller's interest and credit card receivables *minus* (B) the allowance for doubtful accounts related to seller's interest and credit card receivables, in each case as shown on the consolidated balance sheet of the Borrower and its Subsidiaries.

"*Quarterly Dates*" has the meaning set forth in Section 2.6(a).

"*Regulation U*" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"*Related Credit Agreement*" that certain Credit Agreement (3-Year) dated as of April 10, 2003, by and among the Borrower, the guarantors from time to time party thereto, the financial institutions from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent for such financial institutions, as the same may be amended, modified, supplemented, replaced or refinanced from time to time.

"*Required Banks*" means Banks the sum of whose outstanding Commitments (or after the termination thereof, outstanding Loans) represent an amount greater than 50% of the sum of the Total Commitment (or after the termination thereof, the sum of the total outstanding Loans at such time).

"*Reserve Percentage*" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency Liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans, is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents).

"*Restricted Acquisition*" means any acquisition, whether in a single transaction or series of related transactions, by the Borrower or any one or more of its Subsidiaries, or any combination thereof, of (i) all or a substantial part of the assets, or all or any substantial part of a going business or division, of any Person, whether through purchase of assets or securities, by merger or otherwise, (ii) control of securities of an existing corporation or other Person having ordinary voting power (apart from rights accruing under special circumstances) to elect a majority of the board of directors of such corporation or other Person or (iii) control of a greater than 50% ownership interest in any existing partnership, joint venture or other Person).

"*Restricted Cash*" means cash required by the Borrower and its Subsidiaries to fund securitization spread accounts, cash collateral accounts relating to securitization of credit card receivables, excess funding accounts relating to securitization of credit card receivables and cash restricted to fund future Air Miles redemptions.

"*Restricted Cash Account*" means the account on the consolidating balance sheet of the Borrower related solely to redemption settlement assets of Loyalty Management's "Air Miles Program."

"*Restricted Payment*" means (i) any dividend or other distribution on any shares of a Person's (including any Credit Party's) capital stock (except dividends or distributions payable solely in shares of its capital stock and except dividends and distributions payable to the Borrower or any of its Subsidiaries) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of a Person's (including any Credit Party's) capital stock or (b) any option, warrant or other right to acquire shares of a Person's capital stock (but not including (1) payments of principal, premium (if any) or interest made pursuant to the terms of convertible debt securities prior to conversion, (2) payments made to the Borrower or any of its Subsidiaries, and (3) payments made solely in shares of (or solely out of the net proceeds of a substantially concurrent issuance of) such Person's (including any Credit Party's) capital stock or options, warrants or other rights to acquire shares of such Persons' (including any Credit Party's) capital stock).

"*Secured Creditors*" has the meaning set forth in the Pledge Agreements.

"*Senior Leverage Ratio*" means, at any time, the ratio of (x) all amounts owing by the Borrower and its Subsidiaries pursuant to the terms of this Agreement or any other Credit

Document, the Related Credit Agreement or the Canadian Credit Agreement to the agents and the lenders thereunder to (y) Consolidated Operating EBITDA of the Borrower and its Subsidiaries for the twelve months then most recently ended.

"*Stated Amount*" of each Letter of Credit means the maximum amount available to be drawn thereunder (regardless of whether any conditions for drawing could then be met).

"*Subsidiary*" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Borrower.

"*The Community Reinvestment Act*" means The Community Reinvestment Act of 1977 (12 U.S.C. 2901 *et seq.*) as amended.

"*The Limited*" means Limited Commerce Corp., a Delaware corporation and its successors and assigns.

"*Total Capitalization Ratio*" means, for any Person, the ratio of (x) Consolidated Debt of such Person at such time to (y) the sum of (i) Consolidated Debt of such Person at such time *plus* (ii) Consolidated Net Worth of such Person at such time.

"*Total Commitment*" means the aggregate amount of the Commitments of each of the Banks.

"*Total Interest Expense*" means, for any Person, interest paid on a consolidated basis with respect to all outstanding indebtedness including, without limitation, capital leases (in accordance with generally accepted accounting principles), all commissions, discounts and other fees and charges owed in connection with letters of credit or lines of credit, net payments under interest rate protection agreements, amortization of deferred financing costs, original issue discounts and any interest expense relating to deferred compensation arrangements.

"*Type*" means the type of Loan determined according to the interest option applicable thereto; *i.e.*, whether a Base Rate Loan or a Euro-Dollar Loan.

"*Unfunded Liabilities*" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"*United States*" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"*US Scheme License*" means the Amended and Restated License to Use and Exploit the Air Miles Scheme in the United States, dated July 24, 1998, between Air Miles International Trading B.V. and the Borrower, as such agreement may be amended from time to time.

"*US Trademark License*" means the Amended and Restated License to Use the Air Miles Trade Marks in the United States, dated July 24, 1998, between Air Miles International Holdings B.V. and the Borrower, as such agreement may be amended from time to time.

"*Voting Stock*" of any Person means the equity interests of such Person that are, under ordinary circumstances, entitled to vote in the election of the board of directors or other persons performing similar functions of such Person.

"*WCAS Subordinated Note*" means the 10% Subordinated Note due September 15, 2008, dated September 15, 1998, issued by the Borrower to WCAS Capital Partners III, L.P. in the principal amount of $52,000,000.

"*Welsh, Carson, Anderson & Stowe Partnerships*" means each Welsh, Carson, Anderson & Stowe limited partnership, as constituted on the Effective Date, as may be constituted in the future and any partner, partnership or Affiliate of any of them and their respective successors and assigns.

"*WFNNB*" means World Financial Network National Bank, a limited purpose national banking association wholly owned by the Borrower.

"*WFNNB Note*" means a promissory note made by WFNNB payable to the order of the Borrower or any of its Domestic Subsidiaries (other than an Insured Subsidiary or a Qualified Securitization Subsidiary or a Subsidiary of a Foreign Subsidiary, Insured Subsidiary or Qualified Securitization Subsidiary).

"*Wholly-Owned Subsidiary*" means, as to any Person, any corporation or other entity 100% of whose Voting Stock (other than director's qualifying shares) is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person.

Section 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Banks; *provided* that, (i) all calculations of financial covenants and corresponding accounting terms shall include for all periods covered thereby *pro forma* adjustments for the (x) actual historical financial performance of and (y) identifiable cost savings associated with providing data processing services to any entities acquired as permitted under Section 6.21(b) and (ii) if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article 6 to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Banks wish to amend Article 6 for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Banks.

Section 1.3. Types of Borrowings. The term "*Borrowing*" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article 2 on the same date, all of which Loans are of the same Type (subject to Article 9) and, except in the case of Base Rate Loans, have the same initial Interest Period.

ARTICLE 2

THE CREDITS

Section 2.1. Commitments to Lend. At any time on or after the Effective Date and prior to the Maturity Date, each Bank with a Commitment severally agrees, on the terms and conditions set forth in this Agreement, to make loans (each a "*Loan*" and, collectively, the "*Loans*") to the Borrower pursuant to this Section from time to time in U.S. Dollars in amounts such that the aggregate principal amount of all Loans made by such Bank to the Borrower at any one time outstanding shall not exceed the amount of its Commitment. Each Borrowing under this Section shall be in an amount equal to

$5,000,000 or any larger multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the then unutilized Commitment) and shall be made from the several Banks ratably in proportion to their respective Commitments. Loans shall either be Base Rate Loans or Euro-Dollar Loans. Within the foregoing limits, the Borrower may borrow under this Section, prepay Loans to the extent permitted by Section 2.10, and reborrow at any time prior to the Maturity Date.

Section 2.2. Notice of Borrowing. The Borrower shall give the Administrative Agent notice (a "*Notice of Borrowing*") in respect of the Borrowing of Loans not later than 11:00 a.m. (Chicago, Illinois, time) on (x) the Business Day of the Borrowing if such Borrowing is to be a Base Rate Borrowing and (y) the third Business Day immediately preceding the date of the Borrowing if such Borrowing is to be a Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Business Day;

(ii) what Type of Loans are to be borrowed and whether the Loans comprising such Borrowing are to bear interest initially at the Base Rate or a Euro-Dollar Rate;

(iii) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period and in the case of a Base Rate Borrowing, the date, if any, on which such Loan will be converted to a Euro-Dollar Loan; and

(iv) the aggregate amount of such Borrowing.

Section 2.3. Notice to Banks Funding of Loans. (a) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's share of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 1:30 p.m. (Chicago, Illinois time) on the date of each Borrowing, each Bank shall make available its share of such Borrowing, in Federal or other funds immediately available in Chicago, Illinois, to the Administrative Agent at its address referred to in Section 11.1. Unless the Administrative Agent determines that any applicable condition specified in Article 3 has not been satisfied, the Administrative Agent will make the funds so received from the Banks available to the Borrower at the Administrative Agent's aforesaid address.

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.6 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

Section 2.4. Notes. (a) The Borrower's obligation to pay the principal of, and interest on, the Loans made by each Bank shall be evidenced by promissory notes duly executed and delivered by the Borrower substantially in the form of Exhibit B, with blanks appropriately completed (each a "*Note*" and, collectively, the "*Notes*").

(b) Upon receipt of each Bank's Notes pursuant to Section 3.1(a), the Administrative Agent shall forward such Notes to the appropriate Bank. Each Bank shall record the date and amount of the respective Loans made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of any of its Notes, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to such Loans then outstanding under such Note; *provided*, that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Notes and to attach to and make a part of its Notes a continuation of any such schedule as and when required.

Section 2.5. Maturity of Loans. Subject to the provisions of Section 2.8, the Commitment shall terminate and the principal amount of all then outstanding Loans, together with accrued interest thereon, shall be due and payable in full on the Maturity Date.

Section 2.6. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made (or converted pursuant to Article 9) until it becomes due, at a rate per annum equal to the Base Rate plus the Base Rate Margin for such day. Such interest shall be payable quarterly in arrears on the last day of each March, June, September, and December in each year (each, a "*Quarterly Date*") and, with respect to the principal amount of any Base Rate Loan converted to a Euro-Dollar Loan, on each date a Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% *plus* the rate otherwise applicable to Base Rate Loans for such day.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin for such day *plus* the London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, in the case of an Interest Period of six months, the date occurring three months after the first day of such Interest Period.

(c) Any overdue principal of, or interest on, any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the higher of (i) the sum of 2% *plus* the Euro-Dollar Margin for such day *plus* the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of it) by dividing (x) the average rate per annum (rounded upward, if necessary, to the next higher 1/100 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Business Days, then for such other period of time not longer than three months as the Administrative Agent may select) deposits in Dollars in an amount approximately equal to such overdue payment due to the Administrative Agent is offered to the Administrative Agent in the London interbank market for the applicable period determined as provided above by (y) one *minus* the Reserve Percentage (or, if the circumstances described in clause (a) or (b) of Section 9.1 shall exist, at a rate per annum equal to the sum of 2% *plus* the rate applicable to Base Rate Loans for such day) and (ii) the sum of 2% *plus* the Euro-Dollar Margin for such day plus the London Interbank Offered Rate applicable to such Loan at the date such payment was due.

(d) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(e) The Administrative Agent agrees to use its best efforts to furnish quotations as contemplated by this Section. If the Administrative Agent is unable to provide a quotation, the provisions of Section 9.1 shall apply.

Section 2.7. Fees. (a) During the period from and including the Effective Date to and including the date upon which the Total Commitment is terminated, the Borrower shall pay to the Administrative Agent for the account of the Banks with Commitments, ratably in proportion to their respective Commitments, a commitment fee at the rate per annum equal to the Applicable Commitment Fee Percentage on the daily amount by which the Total Commitment exceeds the aggregate principal amount of Loans outstanding. Such commitment fee shall accrue from and including the Effective Date to, but excluding the date of termination of, the Commitments in their entirety. Accrued commitment fees shall be payable quarterly in arrears on the last day of each March, June, September, and December in each year and on the date of termination of the Commitments in their entirety.

(b) The Borrower shall pay to the Administrative Agent such amounts as are agreed to from time to time.

Section 2.8. Termination or Reduction of Commitments.

(a) *Optional Reduction of Commitments.* The Borrower may, upon at least three Business Days' notice to the Administrative Agent, (i) terminate the Total Commitment at any time, if no Loans are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of $5,000,000 or a larger multiple of $1,000,000 the aggregate amount of the Total Commitment in excess of the aggregate outstanding principal amount of the Loans. Upon receipt of a notice pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof.

(b) *Mandatory Reduction of Commitments*. The Total Commitment (and the respective Commitment of each Bank) shall terminate on the Maturity Date.

(c) *Pro Rata Reduction*. Each reduction to the Total Commitment pursuant to this Section 2.8 shall be applied proportionately to reduce the Commitment of each Bank.

Section 2.9. Method of Electing Interest Rates for Loans. (a) The Loans included in a Borrowing shall be the Type of Loan specified by the Borrower in the applicable Notice of Borrowing given pursuant to Section 2.2. Thereafter, the Borrower shall deliver a notice (a "*Notice of Interest Period Election*") to the Administrative Agent not later than 11:00 a.m. (Chicago, Illinois, time) on the third Business Day prior to (i) if such Borrowing was initially a Base Rate Borrowing, the commencement of the first Interest Period with respect to the conversion of such Base Rate Loan into a Euro-Dollar Loan specifying the duration of such Interest Period, or (ii) at any other time, the last day of the current Interest Period specifying the duration of the additional Interest Period which is to commence. Each Interest Period specified in a Notice of Interest Period Election shall comply with the provisions of the definition of "Interest Period." Notwithstanding the foregoing, the Borrower may not elect to convert any Loan into, or continue any Loan as, a Euro-Dollar Loan pursuant to any Notice of Interest Rate Election if at the time such notice is delivered an Event of Default shall have occurred and be continuing.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Borrowing of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

(iii) if the Loans comprising such Borrowing are to be converted, the new Type of Loans and, if the Loans being converted are to be Euro-Dollar Loans, the duration of the next succeeding Interest Period applicable thereto; and

(iv) if such Loans are to be continued as Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

(c) Upon receipt of a Notice of Interest Period Election from the Borrower pursuant to subsection (a) above, the Administrative Agent shall promptly notify each Bank of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If no Notice of Interest Period Election is timely received prior to the end of an Interest Period, the Borrower shall be deemed to have elected that such Loan be continued as a Base Rate Loan.

(d) An election by the Borrower to change or continue the rate of interest applicable to any Borrowing of Loans pursuant to this Section shall not constitute a "Borrowing" subject to the provisions of Section 3.2.

Section 2.10. Optional Prepayments. (a) Subject, in the case of Euro-Dollar Loans, to Section 2.13, the Borrower may, upon at least one Business Day's notice to the Administrative Agent, prepay any Base Rate Loans or, upon at least three Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Loans, in each case in whole at any time, or from time to time in part, without premium or penalty, in amounts aggregating $5,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks.

(b) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank with Loans outstanding of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

(c) The Borrower may elect to utilize the option set forth in Section 2.11(c) in connection with any optional prepayment.

Section 2.11. Mandatory Prepayments. (a) *Requirements*. If on any date the sum of the aggregate outstanding principal amount of Loans exceeds the Total Commitment as then in effect, the Borrower shall repay on such date the principal of Loans in an aggregate amount equal to such excess. Notwithstanding anything to the contrary contained elsewhere in this Agreement, all then outstanding Loans shall be repaid in full on the Maturity Date.

(b) *Application*. With respect to each prepayment of Loans required by Section 2.11(a), the Borrower may designate the Types of Loans which are to be prepaid and the specific Borrowing or Borrowings pursuant to which made, *provided* that (i) Euro-Dollar Loans may be so designated for prepayment pursuant to this Section 2.11 only on the last day of an Interest Period applicable thereto unless all Euro-Dollar Loans with Interest Periods ending on such date of required prepayment and all Base Rate Loans have been paid in full; (ii) if any prepayment of Euro-Dollar Loans made pursuant to a single Borrowing shall reduce the outstanding Loans made pursuant to such Borrowing to an amount less than $5,000,000, such Borrowing shall be immediately converted into Base Rate Loans; and (iii) each prepayment of Loans pursuant to a Borrowing shall be applied *pro rata* among such Loans. In the absence of a designation by the Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its sole discretion with a view, but no obligation, to minimize breakage costs.

(c) *Cash Collateral to Avoid Breakage*. Notwithstanding the provisions of Section 2.11(b), if at any time a mandatory or voluntary prepayment of Loans pursuant to Sections 2.10 or 2.11(a) above would result, after giving effect to the procedures set forth above, in the Borrower incurring breakage costs as a result of Euro-Dollar Loans being prepaid other than on the last day of an Interest Period applicable thereto (the "*Affected Loans*"), then the Borrower may in its sole discretion initially deposit a portion (up to 100%) of the amounts that otherwise would have been paid in respect of the Affected Loans with the Administrative Agent (which deposit must be equal in amount to the amount of the Affected Loans not immediately prepaid) to be held as security for the obligations of the Borrower hereunder pursuant to a cash collateral arrangement reasonably satisfactory to the Administrative

Agent and shall provide for investments reasonably satisfactory to the Administrative Agent, with such cash collateral to be directly applied upon the first occurrence (or occurrences) thereafter of the last day of an Interest Period applicable to the relevant Loans (or such earlier date or dates as shall be requested by the Borrower), to repay an aggregate principal amount of such Loans equal to the Affected Loans not initially prepaid pursuant to this sentence. Notwithstanding anything to the contrary contained in the immediately preceding sentence, all amounts deposited as cash collateral pursuant to the immediately preceding sentence shall be held for the sole benefit of the Banks whose Loans would otherwise have been immediately prepaid with the amounts deposited and upon the taking of any action by the Administrative Agent or the Banks pursuant to the remedial provisions of Article 7, any amounts held as cash collateral pursuant to this Section 2.11(c) shall, subject to the requirements of applicable law, be immediately applied to repay such Loans.

Section 2.12. General Provisions as to Payments. (a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder (i) not later than 12:00 Noon (Chicago, Illinois time) on the date when due, in Federal or other funds immediately available in Chicago, Illinois, to the Administrative Agent at its address referred to in Section 11.1, and (ii) without any right to set-off, deduction or counterclaim by the Borrower. All payments made hereunder shall be made in U.S. Dollars in immediately available funds at the place of payment. The Administrative Agent will promptly distribute to each Bank its ratable share of each such payment received by the Administrative Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Base Rate Loans or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.13. Funding Losses. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan or any Euro-Dollar Loan is prepaid, converted or becomes due (pursuant to Article 2, 7, or 9 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or if the Borrower fails to borrow, prepay or continue any Euro-Dollar Loans after notice has been given to any Bank in accordance with Section 2.2, 2.9, or 2.10 the Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow, prepay, convert or continue, *provided* that such Bank shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.14. Computation of Interest and Fees. (a) Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the

actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day if and only if such payment is made in accordance with the provisions of the first sentence of Section 2.12(a)).

Section 2.15. Regulation D Compensation. Each Bank may require the Borrower to pay, contemporaneously with each payment of interest on the Euro-Dollar Loans, additional interest on the related Euro-Dollar Loan of such Bank at a rate per annum determined by such Bank up to but not exceeding the excess of (i) (A) the London Interbank Offered Rate then in effect for such Loan divided by (B) one minus the Reserve Percentage over (ii) such London Interbank Offered Rate. Any Bank wishing to require payment of such additional interest (x) shall so notify the Borrower and the Administrative Agent, in which case such additional interest on the Euro-Dollar Loan of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least three Business Days after the giving of such notice and (y) shall notify the Borrower at least five Business Days prior to each date on which interest is payable on the Euro-Dollar Loans of the amount then due it under this Section. The Borrower's obligations under this Section 2.15 are limited as set forth in Section 9.6.

Section 2.16. Increase in Commitment. Provided there exists no Default, the Borrower on behalf of the Borrower and Guarantors may, on any Business Day after the date hereof, without the consent of any Bank but with the written consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed), increase the aggregate amount of the Commitments by delivering a Commitment Amount Increase Request at least five (5) Business Days prior to the desired

effective date of such increase (the "*Commitment Amount Increase*") identifying an additional Bank (or additional Commitment agreed to be made by any existing Bank) and the amount of its Commitment (or additional amount of its Commitment); *provided, however,* that any increase in the aggregate amount of the Commitments when added to the "*Commitments*" under the Related Credit Agreement and the Canadian Credit Agreement to an amount in excess of $450,000,000 will require the approval of the Required Banks; *provided further* that prior to approaching an additional Bank, the Borrower shall have offered to the existing Banks the opportunity to increase their respective Commitments. The effective date of the Commitment Amount Increase shall be agreed upon by the Borrower and the Administrative Agent. Upon the effectiveness thereof, each new Bank (or, if applicable, each existing Bank which consented to an increase in its Commitment) shall advance Loans in an amount sufficient such that after giving effect to its Loan each Bank shall have outstanding its *pro rata* share of Loans. It shall be a condition to such effectiveness that no Euro-Dollar Loans be outstanding on the date of such effectiveness and that the Borrower shall not have terminated any portion of the Commitment pursuant to Section 2.8 hereof. The Borrower agrees to pay any out-of-pocket expenses of the Administrative Agent relating to any Commitment Amount Increase. Notwithstanding anything herein to the contrary, no Bank shall have any obligation to increase its Commitment and no Bank's Commitment shall be increased without its consent thereto, and each Bank may at its option, unconditionally and without cause, decline to increase its Commitment.

ARTICLE 3

CONDITIONS

Section 3.1. Initial Borrowing. The obligations of the Banks to make the initial Loans hereunder are subject to receipt by the Administrative Agent of the following documents:

(a) an opinion of counsel for the Credit Parties in a form reasonably acceptable to the Administrative Agent and covering such matters relating to the transactions contemplated hereby as the Administrative Agent or the Required Banks may reasonably request;

(b) all documents the Administrative Agent may reasonably request relating to the corporate authority of each Credit Party which is a party hereto or any other Credit Document and the validity of this Agreement and each other Credit Document, all in form and substance reasonably satisfactory to the Administrative Agent;

(c) copies of this Agreement executed by the Borrower, each Guarantor and each of the Banks, and copies of the Notes executed by the Borrower in favor of each of the Banks;

(d) all filings (including, without limitation, pursuant to the Uniform Commercial Code) and recordings shall have been accomplished with respect to the Pledge Agreements in such jurisdictions as may be required by law to establish, perfect, protect and preserve the rights, titles, interests, remedies, powers, privileges, liens and security interests of the Collateral Agent in the Collateral covered by the Pledge Agreements and any giving of notice or the taking of any other action to such end (whether similar or dissimilar) required by law shall have been given or taken. On or prior to the Effective Date, the Collateral Agent shall have received satisfactory evidence as to any such filing, recording, registration, giving of notice or other action so taken or made; and the Banks and the holders of the loans and letters of credit outstanding under the Related Credit Agreement and the Canadian Credit Agreement shall have entered into the Intercreditor Agreement, which shall be acknowledged and consented to by each of the Credit Parties party to the Pledge Agreements;

(e) the Administrative Agent shall have received the full amount of the fees due from the Borrower pursuant to Section 2.7;

(f) the Administrative Agent shall have received fully executed copies of the License Agreements;

(g) the Administrative Agent shall have received a fully executed copy of the WCAS Subordinated Note;

(h) the Administrative Agent shall have received insurance certificates complying with the requirements of Section 6.3 for the business and properties of the Borrower and its Subsidiaries; and

(i) the Administrative Agent shall have received documentation, in form and substance reasonably acceptable to the Administrative Agent, evidencing the termination of the Existing Credit Facilities, the repayment of all obligations owing thereunder and the release of all Liens granted in connection therewith.

The Administrative Agent shall promptly notify the Borrower and the Banks of the satisfaction of the conditions set forth in this Section 3.1, and such notice shall be conclusive and binding on all parties hereto.

Section 3.2. Each Borrowing. The obligation of the Banks to make each Loan hereunder is subject at the time of such Loan to the satisfaction of the following conditions:

(a) the satisfaction of the conditions set forth in Section 3.1;

(b) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.2;

(c) the fact that, immediately after any Borrowing of Loans, the aggregate amount of all Loans made hereunder will not exceed the Total Commitments in effect;

(d) the fact that, immediately before and after such Borrowing, no Default shall have occurred and be continuing;

(e) the fact that the representations and warranties of the Credit Parties contained in this Agreement shall be true and correct in all material respects on and as of the date of such Borrowing;

(f) with respect to the transactions contemplated by the Credit Agreement and the Pledge Agreements, each Credit Party shall have obtained any necessary consents, waivers, approvals, authorizations, registrations, filings, licenses and notifications (including, if necessary, qualifying to do business in, and qualifying under the applicable consumer laws of, each jurisdiction where the applicable party is then doing business, or is in the process of obtaining such qualification in each jurisdiction where the applicable party is expected to be doing business utilizing the proceeds of such Loan) and the same shall be in full

force and effect, except where the failure to obtain such consent, qualification or other item could not reasonably be expected to have a material adverse effect on the Borrower and its Subsidiaries, taken as a whole; and

(g) the Pledge Agreements shall be in full force and effect, the Collateral Agent shall have a first priority perfected security interest in all assets of the Borrower and its Subsidiaries purported to be covered thereby (subject to the exceptions set forth therein and in Sections 6.18 and 10.1(a) hereof), and all filings (including, without limitation, pursuant to the Uniform Commercial Code or foreign equivalent) and recordings shall have been accomplished with respect to the Pledge Agreements in such jurisdictions as may be required by law to establish, perfect, protect and preserve the rights, titles, interests, remedies, powers, privileges, liens and security interests of the Collateral Agent in the collateral purposed to be covered thereby and any giving of notice or the taking of any other action to such end (whether similar or dissimilar) required by law shall have been given or taken. The Administrative Agent and the Collateral Agent shall have received satisfactory evidence as to any such filing, recording, registration, giving of notice or other action so taken or made.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (c), (d), (e), (f) and (g) of this Section.

No Bank shall have any obligation to make a Loan hereunder at any time unless all conditions precedent have been satisfied before or at such time. The conditions precedent are included for the exclusive benefit of the Administrative Agent and the Banks. In the event that any one more Banks makes available a Loan at the request of the Borrower notwithstanding that any one or more of the conditions precedent thereto have not been satisfied in whole or in part, such waiver shall not operate as to waive the right of the Administrative Agent and the Banks to require strict compliance thereafter.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 4.1. Existence and Power. Each Credit Party is a corporation, limited liability company, partnership or other organization, duly organized and validly existing and, where applicable, in good standing under the laws of the jurisdiction of its organization, and has all corporate or other powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 4.2. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by each Credit Party of the Credit Documents to which it is a party are within the corporate or other powers of such Credit Party, have been duly authorized by all necessary corporate or other action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law

or regulation or of the articles of association, the organizational certificate, bylaws or other constitutional documents, as applicable, of such Credit Party or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries (other than Liens granted pursuant to the Credit Documents). Neither the Borrower (or any of its directors or officers) nor any Insured Subsidiary (or any of its directors or officers) is a party to, or subject to, any agreement with, or directive or order issued by, any federal or state bank or thrift regulatory authority which imposes restrictions or requirements on it which are not generally applicable to banks or thrifts; and no action or administrative proceeding is pending or, to the Borrower's knowledge, threatened against the Borrower or any Insured Subsidiary or any of their directors or officers which seeks to impose any such restriction or requirement.

Section 4.3. Binding Effect. This Agreement and the other Credit Documents constitute valid and binding agreements of the Borrower and each other Credit Party which is a party thereto, and each Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms.

Section 4.4. Financial Information. (a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2002, and the related consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, reported on by Deloitte & Touche LLP, a copy of which has been delivered to each of the Banks, fairly present in all material respects the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Since December 31, 2002, there has been no material adverse change in the business, financial position, results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

(c) On and as of the Effective Date, (a) the sum of the assets, at a fair valuation, of the Borrower on a stand alone basis and of the Borrower and its Subsidiaries taken as a whole will exceed its debts; (b) the Borrower on a stand alone basis and the Borrower and its Subsidiaries taken as a whole has not incurred and does not intend to incur debts beyond their ability to pay such debts as such debts mature; and (c) the Borrower on a stand alone basis and the Borrower and its Subsidiaries taken as a whole will have sufficient capital with which to conduct its business. For purposes of this Section 4.4(c), "debt" means any liability on a claim, and "claim" means (i) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

(d) Except as fully disclosed in the financial statements delivered pursuant to Section 4.4(a) there were as of the Effective Date no liabilities or obligations with respect to the Borrower or any of its Subsidiaries of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in aggregate, could reasonably be expected to have a material and adverse effect on the Borrower or the Borrower and its Subsidiaries taken as a whole. As of the Effective Date, the Borrower knows of no basis for the assertion against it or any of its Subsidiaries of any liability or obligation of any nature whatsoever that is not fully disclosed in the financial statements delivered pursuant to Section 4.4(a) which, either individually or in the aggregate, could reasonably be expected to be material to the Borrower or the Borrower and its Subsidiaries taken as a whole.

Section 4.5. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the

Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a

reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity or enforceability of any Credit Document.

Section 4.6. Compliance with ERISA. To the best of the Borrower's knowledge after reasonable investigation: (a) Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

(b) Each Foreign Pension Plan has been maintained in substantial compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with applicable regulatory authorities. All material contributions required to be made with respect to a Foreign Pension Plan have been timely made. Neither the Borrower nor any of its Subsidiaries has incurred any material obligation in connection with the termination of or withdrawal from any Foreign Pension Plan. The Borrower and its Subsidiaries do not maintain or contribute to any Foreign Pension Plan the obligations with respect to which could reasonably be expected to have a material adverse effect on the ability of the Borrower or the Borrower and its Subsidiaries taken as a whole to perform their obligations under the Credit Documents.

Section 4.7. Environmental Matters. To the best of the Borrower's knowledge after reasonable investigation: Each of the Borrower and its Subsidiaries has obtained all material environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted. Each of such permits, licenses and authorizations is in full force and effect and the Borrower and its Subsidiaries is in material compliance with the terms and conditions thereof, and is also in material compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder. In addition, no notice, notification, demand, request for information, citations, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the Borrower or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of the Borrower or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any release of any Hazardous Substance generated or handled by the Borrower or any of its Subsidiaries. There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of the Borrower or any of its Subsidiaries in relation to any site or facility now or previously owned, operated or leased by the Borrower or any of its Subsidiaries which have not been made available to the Administrative Agent and the Banks.

Section 4.8. Taxes. The Borrower and its Subsidiaries have filed all United States Federal and Canadian income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary. The charges, accruals and reserves on the books of the Borrower and its

Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate.

Section 4.9. Subsidiaries. Each of the Borrower's corporate Subsidiaries, if any, is a corporation duly incorporated, validly existing and, where applicable, in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 4.10. Regulatory Restrictions on Borrowing. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

Section 4.11. Full Disclosure. All information heretofore furnished by the Borrower to the Administrative Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower to the Administrative Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. The Borrower has disclosed to the Banks in writing any and all facts which materially and adversely affect or may affect (to the extent the Borrower can now reasonably foresee), the business, operations or financial condition of the Borrower and its Consolidated Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under this Agreement or the other Credit Documents.

Section 4.12. Intellectual Property. The Borrower and its Subsidiaries own or have the exclusive right in the United States and Canada to use and to license the patents, trade names, registered or unregistered trademarks, registered or unregistered service marks, and registered copyrights, all pending applications therefor and all know-how required to operate their respective businesses (collectively, the "*Intellectual Property*"), and, to the extent the Borrower deems such registration or filing necessary or appropriate, each item constituting part of the Intellectual Property has been duly registered with, filed with or issued by, as the case may be, the appropriate authorities in the United States and Canada and, to the knowledge of the Credit Parties, such registrations, filings and issuances remain in full force and effect. To the knowledge of the Credit Parties, there are no infringements of any proprietary rights (including, without limitation, the Intellectual Property, the License Agreements and any inventions and know-how owned or licensed by the Borrower or its Subsidiaries) owned or licensed by the Borrower or its Subsidiaries which could reasonably be expected to have a material adverse effect on the business, property, assets, liabilities, condition (financial or otherwise) or prospects of the Borrower taken individually or the Borrower and its Subsidiaries, taken as a whole. To the knowledge of the Credit Parties, the trademarks, service marks and trade names owned or licensed by the Borrower or its Subsidiaries are enforceable by such entities and all patents (if any) comprising the Intellectual Property are believed

valid and enforceable by the Credit Parties. No consent of third parties will be required for the use of any Intellectual Property as a consequence of the consummation of the transactions contemplated hereby. To the knowledge of any Credit Party, (i) no claims are currently being asserted by any Person to the use of any of the Intellectual Property or challenging or questioning the validity or effectiveness of any License Agreement, and the use of the Intellectual Property by the Borrower or any of its Subsidiaries does not infringe on the rights of any Person and no suits or proceedings are pending or threatened against the Seller, the Borrower or any of their respective Subsidiaries with respect to the foregoing; and (ii) no claims are currently being asserted, and no conditions exist upon which such claims could be based, that the Borrower or any of its Subsidiaries is in default or is not in full compliance with any License Agreement.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF EACH GUARANTOR

Each Guarantor represents and warrants for itself that:

Section 5.1. Existence and Power. The applicable Guarantor is a corporation, limited liability company or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and has all corporate or other powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 5.2. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the applicable Guarantor of this Agreement and each other Credit Document to which it is a party is within the corporate or other powers of the applicable Guarantor, have been duly authorized by all necessary corporate or other action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation, by-laws or other constitutional documents, as applicable, of the Guarantor or of any agreement, judgment, injunction, order, decree or other instrument binding upon the applicable Guarantor or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the applicable Guarantor or any of its Subsidiaries (other than Liens granted pursuant to the Credit Documents).

Section 5.3. Binding Effect. This Agreement and each other Credit Document to which it is a party constitutes a valid and binding agreement of the applicable Guarantor enforceable in accordance with its terms.

Section 5.4. Financial Information. (a) The consolidated balance sheets of the applicable Guarantor and its Consolidated Subsidiaries as of December 31, 2002, and the related unaudited consolidated statements of income, changes in common stockholders' equity and cash flows for the fiscal year then ended, a copy of which has been delivered to each of the Banks, fairly present in all material respects the consolidated financial position of the applicable Guarantor and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Since December 31, 2002, there has been no material adverse change in the business, financial position, results of operations or prospects of the applicable Guarantor and its Consolidated Subsidiaries, considered as a whole.

Section 5.5. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the applicable Guarantor threatened against or affecting, the applicable Guarantor or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the applicable Guarantor and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity or enforceability of this Agreement or the Notes.

Section 5.6. Compliance with ERISA. To the best of the applicable Guarantor's knowledge after reasonable investigation: Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.7. Environmental Matters. To the best of the applicable Guarantor's knowledge after reasonable investigation: Each of the applicable Guarantor and its Subsidiaries has obtained all material environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted. Each of such permits, licenses and authorizations is in full force and effect and each of the applicable Guarantor and its Subsidiaries is in material compliance with the terms and conditions thereof, and is also in material compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder. In addition, no notice, notification, demand, request for information, citations, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the applicable Guarantor or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of the applicable Guarantor or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any release of any Hazardous Substance generated or handled by the applicable Guarantor or any of its Subsidiaries. There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of the applicable Guarantor or any of its Subsidiaries in relation to any site or facility now or previously owned, operated or leased by the applicable Guarantor or any of its Subsidiaries which have not been made available to the Administrative Agent and the Banks.

Section 5.8. Taxes. The applicable Guarantor and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns

which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the applicable Guarantor or any Subsidiary. The charges, accruals and reserves on the books of the applicable Guarantor and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the applicable Guarantor, adequate.

Section 5.9. Subsidiaries. Each of the applicable Guarantor's corporate Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 5.10. Regulatory Restrictions on Borrowing. The applicable Guarantor is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

Section 5.11. Full Disclosure. All information heretofore furnished by the applicable Guarantor to the Administrative Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the applicable Guarantor to the Administrative Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. The applicable Guarantor has disclosed to the Banks in writing any and all facts which materially and adversely affect or may affect (to the extent the applicable Guarantor can now reasonably foresee), the business, operations or financial condition of the applicable Guarantor and its Consolidated Subsidiaries, taken as a whole, or the ability of the applicable Guarantor to perform its obligations under this Agreement.

ARTICLE 6

COVENANTS

The Borrower and each Guarantor, as the case may be, agree that, so long as any Bank has any Commitment hereunder or any amount payable hereunder or under any Note remains unpaid:

Section 6.1. Information. The Borrower will deliver to each of the Banks:

(a) as soon as available and in any event within 90 days after the end of each (i) fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows, and changes in common stockholders' equity, each for such fiscal year, and (ii) fiscal year of WFNNB, the consolidated balance sheet of WFNNB and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows, and changes in common stockholders' equity, each for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year and certified by Deloitte & Touche LLP or another independent public accounting firm of nationally recognized standing;

(b) as soon as available and in any event within 45 days after the end of each of (i) the first three fiscal quarters of the Borrower, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter, and (ii) the first three fiscal quarters of WFNNB, the consolidated balance sheet of WFNNB and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such quarter and for the portion of the WFNNB's fiscal year ended at the end of such quarter, setting forth in each case, in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's or WFNNB's, as appropriate, previous fiscal year, all certified (subject to normal year-end adjustments and the absence of footnotes) as to fairness of presentation, generally accepted accounting principles and consistency by the treasurer or chief financial officer of the Borrower or WFNNB, as appropriate;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the treasurer or chief financial officer of the Borrower, (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 6.11, 6.12, 6.13, 6.14 and 6.15 on the date of such financial statements, (ii) comparing such results to the comparable period of the prior fiscal year and the budgeted figures previously delivered for such period and (iii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(d) so long as not contrary to the then recommendations of the Financial Accounting Standards Board, simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a statement of the accounting firm which reported on such statements as to whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements;

(e) within 45 days after the beginning of each fiscal year of the Borrower, a budget in form reasonably satisfactory to the Administrative Agent (including budgeted statements of consolidated income, consolidated cash flows, and consolidated balance sheets) prepared by the Borrower for each of the four quarters of such fiscal year, accompanied by a statement of the treasurer or chief financial officer of the Borrower to the effect that, to the best of such officer's knowledge, the budget is a reasonable estimate for the period covered thereby;

(f) within five days after any officer of any Credit Party obtains knowledge of any Default, if such Default is then continuing, a certificate of the treasurer or chief financial officer of the Borrower setting forth the details thereof and the action which the Borrower or such Credit Party is taking or proposes to take with respect thereto;

(g) promptly after the mailing thereof to the public shareholders of the Borrower, copies of all financial statements, reports and proxy statements so mailed;

(h) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower or any other Credit Party shall have filed with the Securities and Exchange Commission;

(i) immediately upon discovery of the fact that any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan, Foreign Pension Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan, Foreign Pension Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the treasurer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower, the applicable Credit Party or the applicable member of the ERISA Group is required or proposes to take;

(j) to the extent permitted by applicable law, promptly upon the receipt or execution thereof, (i) notice by the Borrower or any Insured Subsidiary that (1) it has received a request or directive from any federal or state regulatory agency which requires it to submit a capital maintenance or restoration plan or restricts the payment of dividends by any Insured Subsidiary to the Borrower or (2) it has submitted a capital maintenance or restoration plan to any federal or state regulatory agency or has entered into a memorandum or agreement with any such agency, including, without limitation, any agreement which restricts the payment of dividends by any Insured Subsidiary to the Borrower or otherwise imposes restrictions or requirements on it which are not generally applicable to banks or thrifts, and (ii) copies of any such plan, memorandum, or agreement, unless disclosure is prohibited by the terms thereof and, after the Borrower or such Insured Subsidiary has in good faith attempted to obtain the consent of such regulatory agency, such agency will not consent to the disclosure of such plan, memorandum, or agreement to the Bank;

(k) prompt notice if the Borrower, any Subsidiary or any other Credit Party shall receive any notification from any governmental authority alleging a violation of any applicable law or any inquiry which could reasonably be expected to have a material adverse effect on the Borrower and the other Credit Parties, taken as a whole;

(l) prompt notice of any Person becoming a Material Domestic Subsidiary;

(m) prompt notice of the sale, transfer or other disposition of any material assets of the Borrower, any Subsidiary or any other Credit Party to any Person other than the Borrower, any Subsidiary or any other Credit Party;

(n) prompt notice of any change in the senior management of the Borrower and any change in the business assets, liabilities, financial condition, results of operations or business prospects of the Borrower, any Subsidiary or any other Credit Party which has had or could reasonably be expected to have a material adverse effect on the Borrower and the other Credit Parties, taken as a whole; and

(o) from time to time such additional information regarding the financial position or business of the Credit Parties and their Subsidiaries (including non-financial information and examination reports and supervisory letters to the extent permitted by applicable regulatory authorities) as the Administrative Agent, at the request of any Bank, may reasonably request.

Section 6.2. Payment of Obligations. Each Credit Party will pay and discharge, and will cause each Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities (including, without limitation, tax liabilities and claims of materialmen, warehousemen and the like which if unpaid might by law give rise to a Lien), except where the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each Subsidiary to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

Section 6.3. Maintenance of Property; Insurance. (a) Each Credit Party will keep, and will cause each Subsidiary to keep, all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) Each Credit Party will, and will cause each Subsidiary to, maintain (either in the name of the Borrower or in its own name) with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts, against at least such risks and with such risk retention as are usually maintained, insured against or retained, as the case may be, in the same general area by companies of established repute engaged in the same or a similar business and will furnish to the Banks, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

Section 6.4. Conduct of Business and Maintenance of Existence. Each Credit Party will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by such Credit Party, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect their respective existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business; *provided,* that nothing in this Section 6.4 shall prohibit (i) a merger or consolidation which is otherwise permitted by Section 6.7 or (ii) the termination of the corporate existence of any Subsidiary if the Borrower in good faith determines that such termination is in the best interest of the Borrower and is not materially disadvantageous to the Banks.

Section 6.5. Compliance with Laws. Each Credit Party will comply, and cause each Subsidiary to comply, in all respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except (i) where the necessity of compliance therewith is contested in good faith by appropriate proceedings or (ii) to the extent that failure to comply therewith would not have a material adverse effect on (a) the property, business, operations, financial condition, prospects, liabilities or capitalization of the Borrower and the Credit Parties, taken as a whole, (b) the ability of any Credit Party to perform its obligations under any of the Credit Documents to which it is a party, (c) the

validity or enforceability of any of the Credit Documents, (d) the rights and remedies of the Banks and the Administrative Agent under any of the Credit Documents or (e) the timely payment of

the principal of or interest on the Loans or the payment obligations of the Credit Parties under the Credit Documents.

Section 6.6. Inspection of Property, Books and Records. The Credit Parties will keep, and will cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary to permit, representatives of any Bank, at such Bank's expense, to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

Section 6.7. Mergers and Sales of Assets. The Credit Parties will not (x) consolidate or merge with or into any other Person or (y) sell, lease or otherwise transfer, directly or indirectly, any substantial part of the assets of any Credit Party and its Subsidiaries, taken as a whole, to any other Person; except that the following shall be permitted, but in the case of clauses (a), (c) and (d) below, only so long as no Default shall have occurred and be continuing both before and after giving effect thereto: (a) (i) any Credit Party may merge with or sell or otherwise transfer assets to the Borrower or any Guarantor, (ii) any Person may be merged with or into any Credit Party pursuant to an acquisition permitted by Section 6.21(b), *provided* that such Credit Party is the surviving corporation of such merger and (iii) any Credit Party (other than the Borrower) may be merged with or into any Person pursuant to an acquisition permitted by Section 6.21(b), *provided that,* if required by Section 6.25 the surviving entity becomes a Guarantor at the time of such merger pursuant to documentation reasonably acceptable to the Administrative Agent, (b) the sale or other transfer of credit card receivables and related assets pursuant to Qualified Securitization Transactions, (c) assets sold and leased back in the normal course of the Borrower's business and (d) sales, leases and other transfers of assets in an aggregate amount which when combined with all such other transactions under this clause (d) during the then current fiscal year, represents the disposition of assets with an aggregate book value not greater than 5% of Consolidated Net Worth of the Borrower calculated as of the end of the immediately preceding fiscal year.

Section 6.8. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower to finance the general corporate and working capital needs of the Borrower and its Subsidiaries including, without limitation, the refinancing of existing indebtedness and the financing of Restricted Acquisitions. None of the proceeds of any Loan made hereunder will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulation U.

Section 6.9. Negative Pledge. Neither a Credit Party nor any Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens pursuant to the Pledge Agreements;

(b) Liens existing on the Effective Date and listed on Schedule 6.9 hereto;

(c) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary and not created in contemplation of such event;

(d) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset, *provided* that such Lien attaches only to such asset acquired and attaches concurrently with or within 90 days after the acquisition thereof;

(e) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into a Credit Party or its Subsidiary and not created in contemplation of such event, so long as such Lien does not attach to any other asset of such Credit Party or its Subsidiaries;

(f) any Lien existing on any asset prior to the acquisition thereof by a Credit Party or a Subsidiary and not created in contemplation of such acquisition;

(g) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, *provided* that the amount of such Debt is not increased and is not secured by any additional assets;

(h) Liens arising in the ordinary course of its business which (i) do not secure Debt or Derivatives Obligations, (ii) do not secure any obligation in an amount exceeding $5,000,000 and (iii) do not in the aggregate materially detract from the value of the assets secured or materially impair the use thereof in the operation of such Credit Party or Subsidiary's business;

(i) Liens arising in connection with Qualified Securitization Transactions;

(j) Liens securing Debt permitted under Section 6.15(vi) hereof;

(k) Liens incurred or deposits or pledges made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security, (ii) to secure the payment or performance of tenders, statutory or regulatory obligations, bids, leases, contracts (including contracts to provide customer care services, billing services, transaction processing services and other services), performance and return of money bonds and other similar obligations, including letters of credit and bank guarantees required or requested by the United States, any State thereof or any foreign government or any subdivision, department, agency, organization or instrumentality of any of the foregoing in connection with any contract or statute (exclusive of obligations for the payment of borrowed money), or (iii) to cover anticipated costs of future redemptions of awards under loyalty marketing programs; and

(l) Liens not otherwise permitted by the foregoing clauses of this Section 6.9 securing Debt in an aggregate principal or face amount at any date not to exceed 2% of Consolidated Net Worth of the Borrower.

In each case set forth above, notwithstanding any stated limitation on the assets that may be subject to such Lien, a Lien on a specified asset or group or type of assets may include Liens on all improvements, additions and accessions thereto and all products and proceeds thereof.

Section 6.10. End of Fiscal Years and Fiscal Quarters. The Borrower shall cause its fiscal year, and shall cause each of its Subsidiaries' fiscal years, to end on December 31 and shall cause its and each of its Subsidiaries' fiscal quarters to coincide with calendar quarters.

Section 6.11. Maximum Total Capitalization Ratio. The Borrower will not permit its Total Capitalization Ratio at any time to be more than 45%.

Section 6.12. Senior Leverage Ratio. The Borrower shall not permit its Senior Leverage Ratio at any time to exceed 2.00 to 1.00.

Section 6.13. Interest Coverage Ratio. The Borrower will not permit its Interest Coverage Ratio for any period of twelve consecutive fiscal months, as determined for such twelve month period ending on the last day of any fiscal month, to be less than 3.50:1.00.

Section 6.14. Delinquency Ratio. The Borrower shall not permit the average of the Delinquency Ratios for WFNNB for the most recently ended three consecutive calendar months to exceed 4.5%.

Section 6.15. Debt Limitation. The Borrower shall not, and shall not permit any of its Subsidiaries, whether now existing or created in the future, to create or retain any Debt other than (i) any Debt created or retained by the Borrower or such Subsidiary on or before the Effective Date, (ii) any Debt owed to the Borrower or a Subsidiary by the Borrower or a Subsidiary, *provided* that (A) all such loans shall be made in compliance with Section 6.21(a), and (B) all such loans from the Borrower to WFNNB or another Insured Subsidiary shall be made pursuant to and evidenced by the

WFNNB Note or an Intercompany Note, as applicable, (iii) issuances by Insured Subsidiaries of certificates of deposit and other items to the extent no Default results therefrom pursuant to the other covenants contained in this Article 6, (iv) Permitted Subordinated Debt, (v) Debt incurred in connection with Qualified Securitization Transactions, (vi) obligations of the Borrower or its Subsidiaries as lessee in respect of leases of property which are capitalized in accordance with generally accepted accounting principles and shown on the balance sheet of the Borrower and its Subsidiaries and which in the aggregate do not at any one time exceed 10% of the Consolidated Net Worth of the Borrower at such time, (vii) loans and letter of credit reimbursement obligations outstanding from time to time under this Agreement, the Related Credit Agreement and the Canadian Credit Agreement in an aggregate principal amount not to exceed $450,000,000 (including the Dollar equivalent of Canadian dollar borrowings based on the exchange rate set forth in the Canadian Credit Agreement), (viii) Debt incurred by the Borrower and its Subsidiaries in the nature of a purchase price adjustment in connection with a permitted Restricted Acquisition, and (ix) other unsecured Debt of the Borrower and/or its Subsidiaries not to exceed $10,000,000 in the aggregate outstanding at any time.

Section 6.16 Capitalization of Insured Subsidiaries. The Borrower shall, at all times, cause all Insured Subsidiaries to be "well capitalized" within the meaning of 12 C.F.R. 208.43(b)(1) or any successor regulation and such Insured Subsidiaries at no time be reclassified by any relevant agency as anything other than "well capitalized."

Section 6.17. Restricted Payments; Required Dividends. (a) Other than payments made in accordance with the terms of subsection (b) below, neither the Borrower nor any of its Subsidiaries will declare or make any Restricted Payment unless, after giving effect thereto, the aggregate of all Restricted Payments declared or made does not exceed the sum of (i) $10,000,000 plus (ii) 25% of the amount by which the Consolidated Net Income of the Borrower exceeds zero (or minus 100% of the amount by which the Consolidated Net Income of the Borrower is less than zero) for the period from April 1, 2003 through the end of the Borrower's then most recent fiscal quarter (treated for this purpose as a single accounting period).

(b) The Borrower shall cause each Domestic Subsidiary (to the extent permitted under any applicable law, rule or regulation, judgment, injunction, order or decree of any governmental authority) to take all such necessary corporate actions to declare cash dividends, payable to the shareholder of such Subsidiary, in an aggregate amount, if any, equal to all amounts that are then due and owing and remain outstanding after the date of payment therefor pursuant to the terms of this Agreement.

Notwithstanding the foregoing, if a Default or Event of Default exists, neither the Borrower nor any of its Subsidiaries shall make any Restricted Payments to any Person other than to the Borrower or any other Credit Party.

Section 6.18. Equity Ownership, Limitation on Creation of Subsidiaries. Notwithstanding anything to the contrary contained in this Agreement, the Borrower will not, and will not permit any of its Subsidiaries to, establish, create or acquire after the Effective Date any Subsidiary; *provided* that (A) the Borrower and its Wholly-Owned Subsidiaries shall be permitted to establish or create Wholly-Owned Subsidiaries so long as, in each case, (i) if such new Subsidiary is a Material Domestic Subsidiary or a Foreign Subsidiary, written notice of the establishment or creation thereof is given to the Administrative Agent promptly after such establishment or creation, (ii) all of the equity interest of such new Subsidiary (unless such Subsidiary is a Qualified Securitization Subsidiary or an Insured Subsidiary or a Subsidiary of a Qualified Securitization Subsidiary or an Insured Subsidiary) held by the Borrower or a Guarantor (but in no event in excess of 65% of the outstanding equity interest of a Foreign Subsidiary) is promptly pledged pursuant to, and to the extent required by, this Agreement and the Pledge Agreement and the certificates, if any, representing such stock, together with stock powers duly executed in blank, are delivered to the Collateral Agent and (iii) if required by Section 6.25, such new Subsidiary promptly executes a Guarantor Supplement to become a Guarantor pursuant to Article 10, and becomes a party to the Pledge Agreement (or similar documents satisfactory to the

Administrative Agent) and (B) Subsidiaries may be acquired to the extent such acquisition does not give rise to a Default hereunder so long as (x) in each such case involving the acquisition of a Wholly-Owned Subsidiary, the actions specified in preceding clause (A) shall be taken, (y) in each such case involving the acquisition of a non-Wholly-Owned Subsidiary, the action specified in the preceding clause (A)(ii) shall be taken, and (z) the Borrower complies with Sections 6.1(1) and 6.21. In addition, each new Subsidiary that is required to execute any Credit Document shall execute and deliver, or cause to be executed and delivered, all other relevant documentation of the type described in Section 3.1 as such new Subsidiary would have had to deliver if such new Subsidiary were a Credit Party on the Effective Date.

Section 6.19. Change of Business. The Borrower will not, and will not permit any of its Subsidiaries to, materially alter the character of the business of the Borrower and its Subsidiaries from that conducted on the Effective Date.

Section 6.20. Limitation on Issuance of Capital Stock. (a) The Borrower will not, and will not permit any of its Subsidiaries to, issue (i) any preferred stock or (ii) any common stock redeemable at the option of the holder thereof.

(b) The Borrower will not permit any of its Subsidiaries to issue any capital stock (including by way of sales of treasury stock) or any options or warrants to purchase, or securities convertible into, capital stock, except (i) for transfers and replacements of then outstanding shares of capital stock, (ii) for stock splits, stock dividends and issuances which do not decrease the percentage ownership of the Borrower or any of its Subsidiaries in any class of the capital stock of such Subsidiary, (iii) to qualify directors to the extent required by applicable law and (iv) for issuances by newly created or acquired Subsidiaries in accordance with the terms of this Agreement.

Section 6.21. Investments; Restricted Acquisition. (a) The Borrower shall not, and shall not permit any Subsidiary to hold, make or acquire any Investment in any Person other than:

(i) Investments by the Borrower or its Subsidiaries in Persons which are Guarantors;

(ii) Investments by the Borrower or its Subsidiaries in Persons which are Domestic Subsidiaries but not Guarantors; *provided that*, immediately after each such Investment is made, the aggregate amount of such Investments then outstanding (the amount of each such Investment being measured at the time such Investment was made) (and without duplication of amounts subsequently invested by the recipient thereof in another Domestic Subsidiary that is not a Guarantor) shall not exceed 5% of the Borrower's Consolidated Net Worth (measured at the time each such Investment is made) *plus* the amount invested on the Effective Date;

(iii) Investments by the Borrower or its Subsidiaries in Foreign Subsidiaries *provided that*, immediately after each such Investment is made, the aggregate amount of such Investments then outstanding (the amount of each such Investment being measured at the time such Investment was made) (and without duplication of amounts subsequently invested by the recipient thereof in another Foreign Subsidiary) shall not exceed 5% of the Borrower's Consolidated Net Worth (measured at the time each such Investment is made) *plus* the amount invested on the Effective Date;

(iv) Investments consistent with the investment policy attached hereto as Schedule II;

(v) Investments by Insured Subsidiaries as are necessary to comply with the provisions of the Community Reinvestment Act;

(vi) Investments consisting of credit card loans made by Insured Subsidiaries pursuant to the terms of any applicable credit card accounts owned by Insured Subsidiaries;

(vii) Restricted Acquisitions permitted under Section 6.21(b);

(viii) Investments made in connection with Qualified Securitization Transactions;

(ix) Investments in the form of loans to WFNNB *provided that* immediately after each such loan is made, the aggregate outstanding principal amount of all such loans shall not exceed $100,000,000;

(x) Investments in the form of loans to Insured Subsidiaries other than WFNNB *provided that* immediately after each such loan is made, the aggregate outstanding principal amount of all such loans shall not exceed $20,000,000; and

(xi) any Investment not otherwise permitted by the foregoing clauses of this Section if, immediately after such Investment is made or acquired, the aggregate net book value of all Investments permitted by this clause (xi) (measured at the time each such Investment is made) does not exceed 5% of Consolidated Net Worth of the Borrower.

(b) The Borrower and its Subsidiaries may make Restricted Acquisitions so long as:

(i) the Borrower and its Subsidiaries shall be in compliance with all provisions of this Agreement, including all financial covenants, both before and after giving effect thereto, with such financial covenants to be calculated on a *pro forma* basis as if such Restricted Acquisition had been consummated on the first day of the then most recently ended period of twelve consecutive fiscal months and giving effect to (x) the actual historical financial performance (including Consolidated Operating EBITDA) of such acquired entity and (y) identifiable cost savings associated with providing data processing services to such acquired entities as reasonably approved by the Administrative Agent;

(ii) the total consideration paid (including equity issued and Debt assumed) in connection with any Restricted Acquisition of a Person which as a result thereof does not become a Wholly-Owned Subsidiary of the Borrower when added to the total consideration paid (including equity issued and Debt assumed) in connection with each other Restricted Acquisition of a Person which as a result thereof did not become a Wholly-Owned Subsidiary of the Borrower consummated in the same fiscal year, shall not exceed 10% of the Borrower's Consolidated Net Worth calculated at the end of the immediately preceding fiscal year;

(iii) such Restricted Acquisition is not a Hostile Acquisition; and

(iv) the Borrower complies with Section 6.18.

Section 6.22. Consolidated Capital Expenditures. The Borrower shall not, and shall not permit its Subsidiaries to make Consolidated Capital Expenditures in any fiscal year exceeding 30% of the Borrower's previous fiscal year's Consolidated Operating EBITDA.

Section 6.23. Limitation on Voluntary Payments and Modifications of Certain Indebtedness. The Borrower will not, and will not permit any of its Subsidiaries to, (i) make (or give any notice in respect of) any voluntary or optional payment or prepayment on or redemption or acquisition for value of, or make any prepayment or redemption as a result of any asset sale, change of control or similar event of (including, in each case, without limitation, by way of depositing with the trustee with respect thereto or any other Person, money or securities before due for the purpose of paying when due) any Permitted Subordinated Debt or (ii) amend or modify, or permit the amendment or modification of, any provision of the agreements evidencing the Permitted Subordinated Debt in any way that would cause such Debt to no longer constitute Permitted Subordinated Debt. Notwithstanding any other provision of this Agreement and the other Credit Documents, the Borrower may prepay the WCAS Subordinated Note at any time.

Section 6.24. No Restrictions. Except as provided herein, the Borrower will not, and will not permit any Subsidiary to, directly or indirectly create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Insured Subsidiary

to: (a) pay dividends or make any other distribution on any Subsidiary's capital stock or other equity interests owned by the Borrower or any other Subsidiary, (b) pay any indebtedness owed to the Borrower or any other Subsidiary, (c) make loans or advances to the Borrower or any other Subsidiary or (d) transfer any of its property to the Borrower or any other Subsidiary, except encumbrances and restrictions of the types described below:

(1) encumbrances and restrictions contained in this Agreement and the other Credit Documents;

(2) customary supermajority voting provisions and other customary provisions with respect to the disposition or distribution of assets, each contained in corporate charters, bylaws, stockholders' agreements, limited liability company agreements, partnership agreements, joint venture agreements and other similar agreements;

(3) encumbrances and restrictions required by law or by any regulatory authority having jurisdiction over such Insured Subsidiary or any of their businesses;

(4) customary restrictions in agreements governing Liens permitted under Section 6.9 provided that such restrictions relate solely to the property subject to such Lien;

(5) encumbrances and restrictions contained in any merger agreement or any agreement for the sale or other disposition of an asset, including, without limitation, the capital stock or other equity interest of a Subsidiary, *provided, that* such restriction is limited to the asset that is the subject of such agreement for sale or disposition and such disposition is made in compliance with Section 6.7;

(6) encumbrances and restrictions contained in contracts (other than relating to Debt) entered into in the ordinary course of business that do not, in the aggregate, detract from the value of the property or assets of the Borrower or any Subsidiary in any material manner (including, without limitation, non-assignment provisions in leases and licenses);

(7) encumbrances and restrictions contained in Permitted Subordinated Debt; and

(8) encumbrances and restrictions contained in any agreement or instrument, capital stock or other equity interest that amends, modifies, restates, renews, increases, supplements, refunds, replaces, extends or refinances any agreement, instrument or capital stock or equity interest described in clauses (1)-(8) of this Section, from time to time, in whole or in part, *provided that* the encumbrances or restrictions set forth therein are not more restrictive than those contained in the predecessor agreement, instrument or capital stock or other equity interest.

Section 6.25. Guarantors. The Borrower will (a) cause each Material Domestic Subsidiary to execute this Agreement as a Guarantor (and from and after the Effective Date cause each Material Domestic Subsidiary to execute and deliver to the Administrative Agent, as promptly as possible, but in any event within thirty (30) days after becoming a Material Domestic Subsidiary of the Borrower, an executed Guarantor Supplement to become a Guarantor hereunder (whereupon such Subsidiary shall become a "Guarantor" under this Agreement)), and (b) deliver and cause each such Subsidiary to deliver corporate resolutions, opinions of counsel, and such other corporate documentation as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent; *provided, however,* that upon the Borrower's written request of and certification to the Administrative Agent that a Subsidiary is no longer a Material Domestic Subsidiary, the Administrative Agent shall release such Subsidiary from its duties and obligations hereunder and under its Guarantor Supplement; *provided, further,* that if such Subsidiary subsequently qualifies as a Material Domestic Subsidiary, it shall be required to re-execute the Guarantor Supplement. Notwithstanding the foregoing, the provisions of this Section 6.25 shall not be applicable with respect to Insured Subsidiaries, Qualified Securitization Subsidiaries and Subsidiaries of Foreign Subsidiaries, Insured Subsidiaries and Qualified Securitization Subsidiaries.

ARTICLE 7

DEFAULTS

Section 7.1. Events of Default. If one or more of the following events ("*Events of Default*") shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal of any Loan or shall fail to pay within 3 Business Days from the date due any interest, any fees or any other amount payable hereunder;

(b) any Credit Party shall fail to observe or perform any covenant contained in Article 6 (other than those contained in Sections 6.1 through 6.3 inclusive, Section 6.5 or Section 6.6);

(c) any Credit Party shall fail to observe or perform any covenant or agreement contained in this Agreement, or the Pledge Agreements, (other than those covered by clause (a) or (b) above) for 30 days after notice thereof has been given to the applicable Credit Party by the Administrative Agent at the request of the Required Banks;

(d) any representation, warranty, certification or statement made by any Credit Party in any Credit Document or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) any Credit Party or any Subsidiary of any of them shall fail to make any payment in respect of any Material Financial Obligations when due or within any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt of any Credit Party or any Subsidiary of a Credit Party or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) any Credit Party or any Subsidiary of any of them shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, examiner or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of, or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing or any Insured Subsidiary shall cease to be a federally insured depositary institution, or a cease and desist order which is material and adverse to the conduct of such Insured Subsidiary's business or assets shall be issued against the Borrower or any Subsidiary pursuant to applicable federal or state law applicable to banks or thrifts, or the Borrower or any Subsidiary shall enter into any commitment to maintain the capital of an insured depository institution in a required amount with any federal or state regulator or any such regulator shall require the Borrower or any Subsidiary to submit a capital maintenance or restoration plan;

(h) an involuntary case or other proceeding shall be commenced against any Credit Party or any Subsidiary of any of them seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, examiner or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against any Credit Party or any Subsidiary of either of them under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $10,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of $10,000,000;

(j) judgments or orders for the payment of money aggregating in excess of $10,000,000 shall be rendered against the Borrower or any of its Subsidiaries and such judgments or orders shall continue unsatisfied and unstayed for a period of 30 days;

(k) a Change of Control shall occur;

(l) any Credit Party shall assert any claim that the security interest in the Collateral granted by such Credit Party to the Collateral Agent pursuant to the Pledge Agreements is unenforceable, is other than first-priority or is otherwise invalid;

(m) any Guarantor shall revoke its guaranty provided for in Article 10 of this Agreement or assert that its guaranty provided for in Article 10 of this Agreement is unenforceable or otherwise invalid except as permitted hereunder;

(n) at any time, the Collateral is transferred in violation of the terms of either Pledge Agreement; and

(o) any License Agreement shall terminate or any arbitration or litigation shall be commenced seeking termination thereof (except that any litigation or arbitration commenced by a Person who is not a party to such License Agreement shall not result in an Event of Default hereunder unless such action is not stayed or dismissed within 60 days of the commencement thereof), or any party shall assert any termination thereof, or any party to any License Agreement shall default in any of its material obligations thereunder beyond the period of grace (if any) therein provided;

then, and in every such event, the Administrative Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments and they shall thereupon terminate, (ii) if requested by Banks holding more than 50% of the aggregate principal amount of the Loans, by notice to the Borrower declare the Loans (together with accrued interest thereon and any commitment fee) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, notice of acceleration, notice of intent to accelerate, protest or other notice of any kind, all of which are hereby waived by the Borrower; *provided,* that in the case of any of the Events of Default specified in clause 7.1(g) or 7.1(h) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or the Banks, the Commitments shall thereupon terminate and the Loans (together with accrued interest thereon and any commitment fee) shall become immediately due and payable without presentment, demand, notice of acceleration, notice of intent to accelerate, protest or other notice of any kind, all of which are hereby waived by the Borrower and (iii) if requested by the Required Banks (y) enforce, as Collateral Agent, any or all of the Liens and security interests created pursuant to the Pledge Agreements; and (z) apply any cash collateral held pursuant to this Agreement to repay the Obligations.

Section 7.2. Notice of Default. (a) The Borrower shall comply with Section 6.1(f).

(b) The Administrative Agent shall give notice to the Borrower as provided in Section 7.1(c) promptly upon being requested to do so by the Required Banks and shall thereupon notify all the Banks thereof.

ARTICLE 8

THE AGENT

Section 8.1. Appointment and Authorization. (a) Each Bank irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

Section 8.2. Administrative Agent and Affiliates. The Administrative Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and the Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Administrative Agent.

Section 8.3. Action by Administrative Agent. The obligations of the Administrative Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 7.

Section 8.4. Consultation with Experts. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower and/or any Guarantor), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 8.5. Liability of Administrative Agent. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks (or, when expressly required hereby, such different number of Banks required to consent to or request such action or inaction) or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any Borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Guarantor; (iii) the satisfaction of any condition specified in Article 3, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

Section 8.6. Indemnification. Each Bank shall, ratably in accordance with its Commitment, indemnify the Administrative Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel

fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnities, gross negligence or willful misconduct) that such indemnities may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnities hereunder.

Section 8.7. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 8.8. Successor Administrative Agent. The Administrative Agent may resign at any time by giving notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint a successor Administrative Agent, subject to the consent of the Borrower if no Event of Default exists (such consent not to be unreasonably withheld). If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, subject to the consent of the Borrower if no Event of Default exists (such consent not to be unreasonably withheld), which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $100,000,000. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

Section 8.9. Intercreditor Agreement and Pledge Agreements. Each Bank authorizes the Administrative Agent to enter into each of the Intercreditor Agreement and the Pledge Agreements on behalf and for the benefit of such Bank and to take all actions contemplated by such documents, including, without limitation, all enforcement actions.

ARTICLE 9

CHANGE IN CIRCUMSTANCES

Section 9.1. Basis for Determining Interest Rate Inaccurate or Unfair. If on, or prior to, the first day of any Interest Period for a Euro-Dollar Loan:

(a) the Administrative Agent determines that deposits in Dollars (in the applicable amounts) are not being offered to the Administrative Agent in the Euro-Dollar market for such Interest Period, or

(b) Banks having 50% or more of the aggregate principal amount of the affected Loans advise the Administrative Agent that the London Interbank Offered Rate, as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make Euro-Dollar Loans or to continue or convert outstanding Loans as or into Euro-Dollar Loans shall be suspended and (ii) each

outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Should either of the events set forth in subclause (a) or (b) above occur, unless the Borrower notifies the Administrative Agent at least two Business Days before the date of any Borrowing of Euro-Dollar Loans for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 9.2. Illegality. If, on or after the Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central Bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans or to convert outstanding Loans into Euro-Dollar Loans shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding shall be converted to a Base Rate Loan either (a) on the last day of the then current Interest Period applicable to such Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (b) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 9.3. Increased Cost and Reduced Return. (a) If on or after the Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement with respect to which such Bank is entitled to compensation during the relevant Interest Period under Section 2.15), special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or the London interbank market any other condition affecting its Loans, its Note or its obligation to make Loans and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that after the Effective Date, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such

authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the Effective Date, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

Section 9.4. Taxes. (a) For the purposes of this Section 9.4, the following terms have the following meanings:

"*Taxes*" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by the Borrower or the applicable Guarantor, as the case may be, pursuant to this Agreement or under any Note, and all liabilities with respect thereto, *excluding* (i) in the case of each Bank and the Administrative Agent, taxes imposed on its income, receipts, capital and franchise or similar taxes imposed on it, by a jurisdiction under the laws of which such Bank or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Bank, in which its Applicable Lending Office is located and (ii) in the case of each Bank, any United States withholding tax imposed on such payments but only to the extent that such Bank is subject to United States withholding tax at the time such Bank first becomes a party to this Agreement.

"*Other Taxes*" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note.

(b) Any and all payments by the Borrower or the applicable Guarantor, as the case may be, to or for the account of any Bank or the Administrative Agent hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes; *provided*, that, if the Borrower or the applicable Guarantor, as the case may be, shall be required by law to deduct any Taxes or Other Taxes from any such payments (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower or the applicable Guarantor, as the case may be, shall make such deductions, (iii) the Borrower or the applicable Guarantor, as the case may be, shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower or the applicable Guarantor, as the case may be, shall furnish to the Administrative Agent, at its address referred to in Section 11.1, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Borrower agrees to indemnify each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by such Bank or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses)

arising therefrom or with respect thereto. This indemnification shall be paid within 15 days after such Bank or the Administrative Agent (as the case may be) makes demand therefor.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Bank remains lawfully able to do so), shall provide the Borrower and the Administrative Agent with Internal Revenue Service form W-8 BEN or W-8ECI, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which exempts the Bank from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Bank or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States.

(e) For any period with respect to which a Bank has failed to provide the Borrower or the Administrative Agent with the appropriate form pursuant to Section 9.4(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 9.4(b) or (c) with respect to Taxes imposed by the United States; *provided* that if a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section, then such Bank will change the jurisdiction of its Applicable Lending office if, in the judgment of such Bank, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Bank.

Section 9.5. Base Rate Loans Substituted for Affected Fixed Rate Loans. If (i) the obligation of any Bank to make, or convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 9.2 or (ii) any Bank has demanded compensation under Section 9.3 or 9.4 with respect to its Euro-Dollar Loans and the Borrower shall, by at least five Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist:

(a) all Loans which would otherwise be made by such Bank as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks); and

(b) after each of its Euro-Dollar Loans has been repaid (or converted to a Base Rate Loan), all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Base Rate Loans instead.

If such Bank notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Banks.

Section 9.6. Limitations on Reimbursement. (a) The Borrower shall not be required to pay to any Bank reimbursement with regard to any costs or expenses under Section 2.15, 2A.6 or Article 9 incurred more than 90 days prior to the date of the relevant Bank's demand therefor.

(b) None of the Banks shall be permitted to pass through to the Borrower charges and costs under Section 2.15 or 2A.6 or Article 9 on a discriminatory basis (*i.e.,* which are not also passed through by such Bank to other customers of such Bank similarly situated where such customer is subject to documents providing for such pass through).

(c) If the obligation of any Bank to make a Eurodollar Loan has been suspended under Section 9.2 or 9.5 for more than three consecutive months, or any Bank has requested compensation under Section 2.15 or 9.3, then the Borrower, provided no Default exists, shall have the right, subject to the Administrative Agent's prior written consent (such consent not to be unreasonably withheld) and in accordance with Section 11.6(c), to substitute a financial institution for such Bank. Such substitution shall result in such financial institution acquiring such Bank's rights, duties and obligations hereunder and assuming such Bank's Commitment hereunder. Upon such acquisition and assumption, the obligations of the Bank subject thereto shall be discharged, such Bank's Commitment shall be reduced to zero, and such Bank shall cease to be obligated to make further Loans.

ARTICLE 10

PERFORMANCE AND PAYMENT GUARANTY

Section 10.1. Unconditional and Irrevocable Guaranty. (a) The Guarantors hereby jointly and severally, unconditionally and irrevocably undertake and agree with and for the benefit of the Administrative Agent and the Banks and each of their respective permitted assignees (collectively, the "*Beneficiaries*") to cause the due payment, performance and observance by the Borrower and its assigns of all of the Obligations, terms, covenants, conditions, agreements and undertakings on the part of the Borrower, to be paid, performed or observed under any Credit Document in accordance with the terms thereof including, without limitation, any agreement of the Borrower to pay any amounts due with respect to the Loans, under this Agreement or any other amounts due and owing under any Credit Document (all such Obligations, terms, covenants, conditions, agreements and undertakings on the part of the Borrower to be paid, performed or observed by the Borrower being collectively called the "*Guaranteed Obligations*"). In the event that the Borrower shall fail in any manner whatsoever to pay, perform or observe any of the Guaranteed Obligations when the same shall be required to be paid, performed or observed under such Credit Document (after giving effect to any cure period), then each of the Guarantors will itself jointly and severally duly pay, perform or observe, or cause to be duly paid, performed or observed, such Guaranteed Obligation, and it shall not be a condition to the accrual of the obligation of any Guarantor hereunder to pay, perform or observe any Guaranteed Obligation (or to cause the same to be paid, performed or observed) that the Administrative Agent, the Banks or any of their permitted assignees shall have first made any request of or demand upon or given any notice to any Guarantor or to the Borrower or its successors or assigns, or have instituted any action or proceeding against any Guarantor or the Borrower or its successors or assigns in respect thereof. Notwithstanding anything to the contrary contained in this Section 10.1 the obligations of the respective Guarantors hereunder in respect of the Borrower are expressly limited to the Guaranteed Obligations.

(b) *Irrevocability*. The Guarantors each agree that its obligations under this Agreement shall be joint and several and irrevocable. In the event that under applicable law (notwithstanding the Guarantors' agreement regarding the joint and several and irrevocable nature of its obligations hereunder) any Guarantor shall have the right to revoke its guaranty under this Agreement, this Agreement shall continue in full force and effect as to such Guarantor until a written revocation hereof specifically referring hereto, signed by such Guarantor, is actually received by the Administrative Agent, delivered as provided in Section 11.1 hereof. Any such revocation shall not affect the right of the Administrative Agent or any other Beneficiary to enforce their respective rights under this Agreement with respect to (i) any Guaranteed Obligation (including any Guaranteed Obligation that is contingent or unmatured) which arose on or prior to the date the aforementioned revocation was received by the Administrative Agent, (ii) any Collateral in which a security interest was acquired by the Administrative

Agent or its permitted assignees on or prior to the date the aforementioned revocation was received by the Administrative Agent or (iii) any other Guarantor. If the Administrative Agent, or its permitted assignees takes any action in reliance on this Agreement after any such revocation by a Guarantor but prior to the receipt by the Administrative Agent of said written notice, the rights of the Administrative Agent, any other Beneficiary or such permitted assignee with respect thereto shall be the same as if such revocation had not occurred.

Section 10.2. Enforcement. The Administrative Agent and its permitted assignees may proceed to enforce the obligations of the Guarantors under this Agreement without first pursuing or exhausting any right or remedy which the Administrative Agent or its permitted assignees may have against the Borrower, any other Person or the collateral under the Credit Documents.

Section 10.3. Obligations Absolute. To the extent permitted by law, the applicable Guarantor will perform its obligations under this Agreement regardless of any law now or hereafter in effect in any jurisdiction affecting any of the terms of this Agreement or any document delivered in connection with this Agreement or the rights of the Administrative Agent or its permitted assignees with respect thereto. The obligations of each Guarantor under this Agreement shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability or the discharge or disaffirmance (by any Person, including a trustee in bankruptcy) of the Guaranteed Obligations, the Loans, any Credit Document or any Collateral or any document, or any other agreement or instrument relating thereto;

(b) any exchange, release or non-perfection of any Collateral or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(c) any failure to obtain any authorization or approval from or other action by, or to notify or file with, any governmental authority or regulatory body required in connection with the performance of such obligations by the Borrower or any Guarantor; or

(d) any impossibility or impracticality of performance, illegality, *force majeure*, any act of any government or any other circumstance which might constitute a legal or equitable defense available to, or a discharge of, the Borrower or any Guarantor, or any other circumstance, event or happening whatsoever, whether foreseen or unforeseen and whether similar or dissimilar to anything referred to above in this Section 10.3.

Each Guarantor further agrees that its obligations under this Agreement shall not be limited by any valuation or estimation made in connection with any proceedings involving the Borrower or any Guarantor filed under the Bankruptcy Code of 1978, as amended (the "*Bankruptcy Code*"), whether pursuant to Section 502 of the Bankruptcy Code or any other Section thereof. Each Guarantor further agrees that the Administrative Agent shall be under no obligation to marshall any assets in favor of or against or in payment of any or all of the Guaranteed Obligations. Each Guarantor further agrees that, to the extent that a payment or payments are made by or on behalf of the Borrower to the Administrative Agent, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to the Borrower, the estate, trustee, receiver or any other party relating to the Borrower, including, without limitation, any Guarantor, under any bankruptcy law, state or federal law, common law or equitable cause then, to the extent of such payment or repayment, the Guaranteed Obligations or part thereof which had been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred. The obligations of any Guarantor under this Agreement shall not be discharged except by performance as provided herein.

Section 10.4. Waiver. Each Guarantor hereby waives promptness, diligence, notice of acceleration, notice of intent to accelerate, notice of acceptance and any other notice with respect to

any of the Guaranteed Obligations and any Credit Document and any requirement that the Administrative Agent or its permitted assignees exhaust any right or take any action against the Borrower, any other Person or any collateral under the Credit Documents.

Section 10.5. Subrogation. No Guarantor will exercise or assert any rights which it may acquire by way of subrogation under this Agreement unless and until

all of the Guaranteed Obligations shall have been paid and performed in full. If any payment shall be made to any Guarantor on account of any subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid and performed in full each and every amount so paid will be held in trust for the benefit of the Beneficiaries and forthwith be paid to the appropriate Beneficiary in accordance with this Agreement and the appropriate Credit Document, to be credited and applied to the Guaranteed Obligations to the extent then unsatisfied, in accordance with the terms of this Agreement or any document delivered in connection with this Agreement, as the case may be. In the event (i) the Guarantors shall have satisfied any of the Guaranteed Obligations and (ii) all of the Guaranteed Obligations shall have been paid and performed in full, the Administrative Agent will, at the Guarantors' request and expense, execute and deliver to the Guarantors appropriate documents, without recourse and without representation or warranty of any kind, necessary to evidence or confirm the transfer by way of subrogation to the Guarantors of the rights of the Beneficiaries or any permitted assignee, as the case may be, with respect to the Guaranteed Obligations to which the Guarantors shall have become entitled by way of subrogation, and thereafter the Beneficiaries and their respective permitted assignees shall have no responsibility to the Guarantors or any other person with respect thereof.

Section 10.6. Survival. All covenants made by the Guarantors herein shall be considered to have been relied upon by the Administrative Agent and the Banks and shall survive regardless of any investigation made by the Administrative Agent or any Bank or on the Administrative Agent's behalf.

Section 10.7. Guarantors' Consent to Assigns. Each Bank may assign or participate out all or any portion of its Commitment or the Loans in accordance with Section 11.6 of this Agreement, and each Guarantor agrees to recognize any such Assignee or participant as a successor and assignee of such Bank hereunder, with all rights of such Bank hereunder.

Section 10.8. Continuing Agreement. Article 10 under this Agreement is a continuing agreement and shall remain in full force and effect until all of the Borrower's Obligations have been satisfied in full.

ARTICLE 11

MISCELLANEOUS

Section 11.1. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, facsimile transmission or similar writing) and shall be given to such party: (a) in the case of a Credit Party or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof, (b) in the case of any Bank, at its address or facsimile number set forth on the signature pages hereof or (c) in the case of any party, such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; *provided* that notices to the Administrative Agent under Article 2 or Article 9 shall not be effective until received.

Section 11.2. No Waivers. No failure or delay by the Administrative Agent or any Bank in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof

nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 11.3. Expenses; Indemnification. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Administrative Agent, including fees and disbursements of counsel for the Administrative Agent, in connection with the preparation and administration of this Agreement and the other Credit Documents, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and each Bank, including (without duplication) the fees and disbursements of outside counsel and the allocated cost of inside counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify the Administrative Agent and each Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "*Indemnitee*") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; *provided*, that no Indemnitee shall have the right to be indemnified hereunder for (i) such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction or (ii) for any loss asserted by another Indemnitee.

Section 11.4. Sharing of Set-Offs. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks in accordance with their Percentages; *provided*, that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness hereunder. Each Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

Section 11.5. Amendment or Waiver, etc. Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and the Required Banks, *provided* that no such change, waiver, discharge or termination shall, without the consent of each Bank (with Obligations being directly affected in the case of following clauses (i) and (ii)), (i) extend the final scheduled maturity of any Loan or Note, or reduce the rate of interest or fees or extend the time of payment of interest or fees, or reduce the principal amount thereof (except to the extent repaid in cash) (*provided* that any amendment or modification to the financial definitions in this Agreement or

to Section 2.14 shall not constitute a reduction in the rate of interest or any fees for purposes of this clause (i)), (ii) release all or substantially all of the Collateral, (iii) release a Guarantor from its Guaranty of the Obligations of the Borrower (except in connection with the sale of a Subsidiary which is a Guarantor in accordance with the terms of this Agreement or as otherwise

provided in Section 6.25), (iv) amend, modify or waive any provision of this Section 11.5, (v) reduce the percentage specified in the definition of Required Banks (it being understood that, with the consent of the Required Banks, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Banks on substantially the same basis as the extensions of Commitments are included on the Effective Date), (vi) amend or modify any provision of Section 11.6 to add any additional consent requirements necessary to effect any assignment or participation thereunder or (vii) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement; *provided, further,* that no such change, waiver, discharge or termination shall (x) increase the Commitments of any Bank over the amount thereof then in effect without the consent of such Bank (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of a mandatory reduction in the Total Commitments shall not constitute an increase of the Commitment of any Bank, and that an increase in the available portion of any Commitment of any Bank shall not constitute an increase of the Commitment of such Bank), (y) without the consent of the Administrative Agent, amend, modify or waive any provision of Article 8 or any other provision as the same relates to the rights or obligations of the Administrative Agent, or (z) without the consent of the Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent.

Section 11.6. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that neither the Borrower nor any Guarantor may assign or otherwise transfer any of their respective rights under this Agreement without the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "*Participant*") participating interests in its Commitment or any or all of its Loans. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement except to the extent such amendment or waiver would (i) extend the final scheduled maturity of any Loan or Note in which such participant is participating, or reduce the rate or extend the time of payment of interest or fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Total Commitment shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof), (ii) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement or (iii) release all or substantially all of the Collateral under the Pledge Agreements (except as expressly provided in the Credit Documents). In the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto) and all amounts payable by the Borrower hereunder shall be determined as if such Bank had not sold such participation. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 9 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank (or any Bank together with one or more other Banks) may (A) assign all or a portion of its Commitments and related outstanding Obligations hereunder to (i) its parent company and/or any affiliate of such Bank which is at least 50% owned by such Bank or its parent company, (ii) to one or more Banks or (iii) in the case of a Bank that is a fund that invests in bank loans, any other fund that invests in bank loans and is managed or advised by the same investment advisor of such Bank or by an Affiliate of such investment advisor or (B) assign all, or, if less than all, a portion equal to at least $5,000,000 in the aggregate for the assigning Bank or assigning Banks, of such Commitments and related outstanding Obligations hereunder to one or more Eligible Transferees, each of which assignees shall become a party to this Agreement as a Bank by execution of an Assignment and Assumption Agreement, *provided* that, (i) at such time Schedule I shall be deemed modified to reflect the Commitments of such new Bank and of the existing Banks, (ii) upon the surrender of the relevant Notes by the assigning Bank (or, upon such assigning Bank's indemnifying the Borrower for any lost Note pursuant to a customary indemnification agreement) new Notes will be issued, at the Borrower's expense, to such new Bank and to the assigning Bank upon the request of such new Bank or assigning Bank, such new Notes to be in conformity with the requirements of Section 2.4 (with appropriate modifications) to the extent needed to reflect the revised Commitments, (iii) the consent of the Administrative Agent shall be required in connection with any assignment to an Eligible Transferee pursuant to clause (B) above (which consent shall not be unreasonably withheld or delayed), (iv) so long as no Default or Event of Default exists, the consent of the Borrower shall be required in connection with any assignment to an Eligible Transferee pursuant to clause (B) above (which consent shall not be unreasonably withheld or delayed), (v) the Administrative Agent shall receive at the time of each such assignment, from the assigning or assignee Bank, the payment of a non-refundable assignment fee of $3,500, which fee shall not be subject to reimbursement from the Borrower and (vi) no such transfer or assignment will be effective until recorded by the Administrative Agent. To the extent of any assignment pursuant to this Section 11.6(c), the assigning Bank shall be relieved of its obligations hereunder with respect to its assigned Commitments. At the time of each assignment pursuant to this Section 11.6(c) to a Person which is not already a Bank hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Bank shall, to the extent legally entitled to do so, provide to the Borrower the appropriate Internal Revenue Service forms described in Section 9.4(d).

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) Notwithstanding anything to the contrary contained herein, any Bank (a "*Granting Bank*") may grant to a special purpose funding vehicle (a "*SPC*"), identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; *provided that* (i) nothing herein shall constitute a commitment by any SPC to make any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Bank shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Loan were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy,

reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof relating to claims, if any, under this Agreement. In addition, notwithstanding

anything to the contrary contained in this subsection (e), any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Bank or to any financial institutions (consented to by the Borrower and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This section may not be amended without the written consent of the SPC.

(f) No assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 9.3 or 9.4 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made (i) with the Borrower's prior written consent or (ii) by reason of the provisions of Section 9.2, 9.3 or 9.4 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or (iii) at a time when the circumstances giving rise to such greater payment did not exist.

Section 11.7. Collateral. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

Section 11.8. Governing Law; Submission to Jurisdiction. THIS AGREEMENT AND EACH NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. The Borrower hereby submit to the nonexclusive jurisdiction of the United States District Court for the Northern District of Illinois and of any Illinois State court sitting in the City of Chicago for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 11.9. Counterparts; Integration; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party) and each of the other conditions specified in Section 3.1 have been satisfied.

Section 11.10. Waiver of Jury Trial. EACH OF THE BORROWER, THE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 11.11. Limitation on Interest. It is the intention of the parties hereto to comply with all applicable usury laws, whether now existing or hereafter enacted. Accordingly, notwithstanding any provision to the contrary in this Agreement, the other Credit Documents or any other document evidencing, securing, guaranteeing or otherwise pertaining to indebtedness of the Borrower to the Banks, in no contingency or event whatsoever, whether by acceleration of the maturity of indebtedness of the Borrower to the Banks or otherwise, shall the interest contracted for, charged or received by any Bank exceed the maximum amount permissible under applicable law. If from any circumstances

whatsoever fulfillment of any provisions of this Agreement, the other Credit Documents or any other document evidencing, securing, guaranteeing or otherwise pertaining to indebtedness of the Borrower to the Banks, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, *ipso facto,* the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances any Bank shall ever receive anything of value as interest or deemed interest by applicable law under this Agreement, the other Credit Documents or any other document evidencing, securing, guaranteeing or otherwise pertaining to indebtedness of the Borrower to the Banks or otherwise an amount that would exceed the highest lawful amount, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing in connection with this Agreement or on account of any other indebtedness of the Borrower to the Banks, and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal owing in connection with this Agreement and such other indebtedness, such excess shall be refunded to the Borrower. In determining whether or not the interest paid or payable with respect to indebtedness of the Borrower to the Banks, under any specific contingency, exceeds the maximum nonusurious rate permitted under applicable law, the Borrower and the Banks shall, to the maximum extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, (c) amortize, prorate, allocate and spread the total amount of interest throughout the full term of such indebtedness so that the actual rate of interest on account of such indebtedness does not exceed the maximum amount permitted by applicable law, and/or (d) allocate interest between portions of such indebtedness, to the end that no such portion shall bear interest at a rate greater than that permitted by law. Notwithstanding the foregoing, if for any period of time interest on any of the Borrower's Obligations is calculated at the maximum rate permissible under applicable law rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the maximum rate permissible under applicable law, the rate of interest payable on the Borrower's Obligations shall remain at the maximum rate permissible under applicable law until the Banks have received the amount of interest which such Banks would have received during such period on the Borrower's Obligations had the rate of interest not been limited to the maximum rate permissible under applicable law during such period. The terms and provisions of this paragraph shall control and supersede every other conflicting provision of this Agreement and the other Credit Documents.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION, as Borrower

By /s/ ROBERT P. ARMIAK

Name Robert P. Armiak, CCM

Title Senior Vice President, Treasurer

Address: 800 Tech Center Drive
Gahanna, OH 43230
Attention: Treasurer
Telephone: (614) 729-4701
Facsimile: (614) 729-4899

With a copy to:

Address: 17655 Waterview Parkway
Dallas, TX 75252
Attention: General Counsel
Telephone: (972) 348-5677
Facsimile: (972) 348-5150

ADS ALLIANCE DATA SYSTEMS, INC., as a Guarantor

By /s/ ROBERT P. ARMIAK

Name Robert P. Armiak, CCM

Title Senior Vice President, Treasurer

Address: 800 Tech Center Drive
Gahanna, OH 43230
Attention: Treasurer
Telephone: (614) 729-4701
Facsimile: (614) 729-4899

With a copy to:

Address: 17655 Waterview Parkway
Dallas, TX 75252
Attention: General Counsel
Telephone: (972) 348-5677
Facsimile: (972) 348-5150

HARRIS TRUST AND SAVINGS BANK, as Administrative Agent

By /s/ THAD D. RASCHE

Name Thad D. Rasche

Title Vice President

Address: 111 West Monroe Street Chicago, IL 60603
Attention: Thad Rasche
Telephone: (312) 461-5739
Facsimile: (312) 461-5225

SUNTRUST BANK

By /s/ BRIAN K. PETERS

Name Brian K. Peters

Title Managing Director

Address: 303 Peachtree St.
N.E. 3rd Floor Mail Code 1921
Atlanta, GA 30308

Attention: Brian Peters
Telephone: (404) 827-6118
Facsimile: (404) 588-8833

BANK ONE, NA, (Main Office Chicago)

By /s/ MARK WASDEN

Name Mark Wasden

Title Director

Address: 1 Bank One Plaza
IL1 0085
Chicago, IL 60670
Attention: Mark Wasden
Telephone: (312) 336-2989
Facsimile: (312) 732-6222

WACHOVIA BANK, N.A.

By /s/ ANNE SAYLES

Name Anne Sayles

Title Director

Address: 191 Peachtree Street
Mail Code: GA8050
Atlanta, GA 30303
Attention: Anne Sayles
Telephone: (404) 332-4088
Facsimile: (404) 332-4048

JPMORGAN CHASE BANK

By /s/ MICHAEL J. LISTER

Name Michael J. Lister, Vice President

Title JP Morgan Chase Bank

Address: 2200 Ross Avenue
3rd Floor
Dallas, TX 75201
Attention: Mike Lister
Telephone: (214) 965-2891
Facsimile: (214) 965-2044

HUNTINGTON NATIONAL BANK

By /s/ NANCY J. CRACOLICE

Name Nancy J. Cracolice

Title Vice President

Address: 41 South High Street HC0810
Columbus, OH 43215
Attention: Nancy Cracolice
Telephone: (614) 480-4401
Facsimile: (614) 480-5791

CREDIT SUISSE FIRST BOSTON

Cayman Island Branch

By /s/ GUY M. BARON CHRISTOPHER LALLY

Name Guy M. Baron Christopher Lally

Title Associate Vice President

Address: Eleven Madison Avenue
5th Floor
New York NY 10010
Attention: Guy Baron
Telephone: (212) 325-7315
Facsimile: (646) 935-7837

U.S. BANK N.A.

By /s/ JOSEPH L. SOOTER, JR.

Name Joseph L. Sooter, Jr.

Title Vice President

Address: One US Bank Plaza
SL-MDST12M
St. Louis, MO 63101
Attention: Joseph Sooter
Telephone: (314) 418-2462
Facsimile: (314) 418-3859

UNION BANK OF CALIFORNIA, N.A.

By /s/ MARC SCHAEFER

Name Marc Schaefer

Title Vice President

Address: 445 South Figueroa Street
18th Floor
Los Angeles, CA 90071
Attention: Jeremy Weinman
Telephone: (213) 236-7737
Facsimile: (213) 236-7814

FIFTH THIRD BANK

By /s/ JOHN K. BEARDSLEE

Name John K. Beardslee

Title Vice President

Address: 21 East State Street
Columbus, OH 43215
Attention: John Beardslee
Telephone: (614) 223-3982
Facsimile: (614) 341-2606

BARCLAYS BANK PLC

By /s/ ALISON A. MCGUIGAN

Name Alison A. McGuigan

Title Associate Director

Address: 200 Park Avenue
New York, NY 10166
Attention: Alison McGuigan
Telephone: (212) 412-7672
Facsimile: (212) 412-5610

SCHEDULE I

COMMITMENTS

BANK		AMOUNT
Harris Trust and Savings Bank	$	15,000,000
SunTrust Bank	$	20,000,000
Bank One, N.A.	$	15,000,000
Wachovia Bank, N.A.	$	15,000,000
JPMorgan Chase Bank	$	15,000,000
Huntington National Bank	$	15,000,000
Barclays Bank PLC	$	15,000,000
Fifth Third Bank	$	15,000,000
Credit Suisse First Boston	$	10,000,000
Union Bank of California, N.A.	$	10,000,000
U.S. Bank, N.A.	$	5,000,000
TOTAL	$	150,000,000

SCHEDULE II

ALLIANCE DATA SYSTEMS CORPORATION

INVESTMENT POLICY

STATEMENT OF PURPOSE

The purpose of this policy is to institute proper guidelines for the ongoing management of the cash investments of Alliance Data Systems Corp. and its subsidiaries.

INVESTMENT OBJECTIVES

The assets are to be invested in a manner, which preserves capital, provides adequate liquidity, maintains appropriate diversification and generates returns relative to these guidelines and prevailing market conditions. The intent is that all of the investments shall be held to maturity.

RESPONSIBILITIES

A. It is the responsibility of the Board of Directors of the Company to adopt the Investment Policy.

B. It is the responsibility of the Treasurer or the Chief Financial Officer to implement the Investment Policy of the Company including the direction of purchases and sales of securities.

C. The approval of either the Treasurer or the Chief Financial Officer shall be required to transfer Company funds to Company banks or investment accounts.

D. The Treasurer and Chief Financial Officer may employ the services of a Bank or a Registered Investment Advisor to direct a portion or all of the investment activities of the Company consistent with the guidelines set forth in the Investment Policy. The firms selected must maintain a net worth of at least $1 billion.

E. The Treasurer and Chief Financial Officer will monitor ongoing investment activities to insure that proper liquidity is being maintained and that the investment strategy is consistent with the Company objectives.

F. The Treasurer or the Chief Financial Officer will report to the Board of Directors quarterly concerning the investment performance during the most recent quarter.

ALLIANCE DATA SYSTEMS CORPORATION AND SUBSIDIARIES

INVESTMENT GUIDELINES

A. *Appropriate Investments*

1. Direct obligations of the U.S. or Canadian Treasury including Treasury Bills, Notes and Bonds. Canadian Government Debt must be rated A or better.

2. Federal Agency Securities which carry the direct or implied guarantee of the U.S. Government including Government National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association, Student Loan Marketing Association, and World Bank. Investments can include Notes, Discount Notes, Medium Term Notes and Floating Rate Notes.

3. Certificates of Deposit, Guaranteed Investment Contracts, Banker's Acceptance and Time Deposits including Eurodollar denominated and Yankee issues. Investments will be limited to those institutions with total assets in excess of $1 billion and which carry a short term rating of "A2" or "P2" or "F2" or better, or a Keefe Bruyette and Woods rating of at least "A" or better.

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4. Corporate Securities (including commercial paper or loan participations) and corporate debt instruments (including medium term notes and floating rate notes) issued by Canadian or U.S. corporations and carry a minimum long term rating of "A" or short term rating of "A2" or "P2" or "F2" or "R1 (L)" or better.

5. Tax Exempt Securities including municipal notes, commercial paper, auction rate floaters, and floating rate notes rated A2 or P2 or F2 or better; Municipal Notes rated SP-2/MIG-2/VMIG-2 or better, or a long term rating of "A" or better.

6. Auction rate preferred stock or bonds issued with a rate reset mechanism and a maximum term of 180 days. Investment will be limited to those issuers who have a minimum long term rating of "A" or short term rating of "A2" or "P2" or "F2" or "R1 (L)" or better.

7. Money market mutual funds, which offer daily purchase and redemption and maintain a constant share price (no equities allowed).

8. Repurchase Agreements. The underlying collateral (of at least 102%) shall consist of US Government obligations and/or government agency securities. Investments in repurchase agreements may not exceed 3 days.

B. *Investment Concentration Limits*

1. Investments rated AAA (long term) or A1 (short term) or equivalent—no limit.

2. Investments rated AA or equivalent—not to exceed 70% of total portfolio.

3. Investments rated A (long term) or A2 (short term) or equivalent—not to exceed 30% of total portfolio.

4. Bank or Insurance Company obligations—not to exceed 50% of total portfolio.

5. Money Market Mutual Funds—no limit.

6. Repurchase Agreements—30% of total portfolio.

7. No individual investment shall be in excess of $10 million USD (or equivalent).

MATURITY LIMITS

1. No investments may exceed 5 years to maturity.

2. Commercial Paper/Loan Participations/Master Notes may not exceed 180 days.

3. A minimum of 30% of the portfolio must have a maturity of 1 year or less.

SAFEKEEPING

All securities firms with whom the Company does business must be qualified to safekeep securities on the Company's behalf at no charge. The CFO or Treasurer will authorize these firms to hold securities.

WAIVERS

In certain circumstances the appropriate investment criteria and portfolio concentration limits may be temporarily waived by the Chief Financial Officer for a period not to exceed four (4) weeks. Any waivers granted during a fiscal year will be reported to the ADS Board of Directors annually.

INVESTMENT POLICY REVIEW

This policy will be reviewed annually by the CFO and Treasurer to ensure that it remains consistent with the financial objectives of the Company and current market conditions.

APPENDIX I

PRICING SCHEDULE

"*Euro-Dollar Margin*" means, (i) for any day during the period from the Effective Date through but excluding the first Start Date (as defined below) to occur on or about June 30, 2003, 1.50% per annum and (ii) from and after the first day of any fiscal quarter of the Borrower beginning on or about June 30, 2003 (the "*Start Date*") to and including the last day of such fiscal quarter, the applicable percentage per annum set forth below in the appropriate row under the column corresponding to the Borrower's Senior Leverage Ratio as calculated for the last day of the fiscal quarter of the Borrower ended immediately prior to such Start Date; provided that at all times during which financial statements have not been delivered when required pursuant to Section 6.1(a) or (b), as the case may be, the Euro-Dollar Margin shall be as set forth below under the column heading "*Level III.*"

"*Base Rate Margin*" means 0%.

"*Applicable Commitment Fee Percentage*" means, (i) for any day during the period from the Effective Date through but excluding the first Start Date (as defined below) to occur on or about June 30, 2003, .30% per annum and (ii) from and after the first day of any fiscal quarter of the Borrower beginning on or about June 30, 2003 (the "*Start Date*") to and including the last day of such fiscal quarter, the applicable percentage per annum set forth below in the appropriate row under the column corresponding to the Borrower's Senior Leverage Ratio as calculated for the last day of the fiscal quarter of the Borrower ended immediately prior to such Start Date; provided that at all times during which financial statements have not been delivered when required pursuant to Section 6.1(a) or (b), as the case may be, the Applicable Commitment Fee Percentage shall be as set forth below under the column heading "*Level III*".

Status	**Level I**	**Level II**	**Level III**
Senior Leverage Ratio	<1.00	³1.00<1.50	³1.50
Euro-Dollar Margin	1.00%	1.25%	1.50%
Applicable Commitment Fee Percentage	.10%	.20%	.30%

EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

Date: ,

Reference is made to the Credit Agreement (364-Day) described in Item 2 of Annex I attached hereto (as such Credit Agreement (364-Day) may hereafter be amended, modified or supplemented from time to time, the "*Credit Agreement*"). Unless defined in Annex I attached hereto, terms defined in the Credit Agreement are used herein as therein defined. (the "*Assignor*") and (the "*Assignee*") hereby agree as follows:

1. The Assignor hereby sells and assigns to the Assignee without recourse and without representation or warranty (other than as expressly provided herein), and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the date hereof which represents the percentage interest specified in Item 4 of Annex I attached hereto (the "*Assigned Share*") of all of Assignor's outstanding rights and obligations under the Credit Agreement indicated in Item 4 of such Annex I, including, without limitation, in the case of any assignment of all or any portion of the Assignor's outstanding Commitment, all rights and obligations with respect to the Assigned Share of such Commitment and of the Loans related thereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any liens or security interests; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the other Credit Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or the other Credit Documents or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any of its Subsidiaries or the performance or observance by the Borrower or any of its Subsidiaries of any of their obligations under the Credit Agreement or the other Credit Documents or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) represents and warrants that it is duly authorized to enter into and perform the terms of this Assignment and Assumption Agreement; (ii) confirms that it has received a copy of the Credit Agreement and the other Credit Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption Agreement; (iii) agrees that it will, independently and without reliance upon the Administrative Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iv) appoints and authorizes the Administrative Agent and the Collateral Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Credit Documents as are delegated to the Administrative Agent and the Collateral Agent by the terms thereof, together with such powers as are reasonably incidental thereto[;] [and] (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank[; and (vi) to the extent legally entitled to do so, attaches the forms described in Section 9.4(d) of the Credit Agreement.](1)

(1) If the Assignee is organized under the laws of a jurisdiction outside the United States.

4. Following the execution of this Assignment and Assumption Agreement by the Assignor and the Assignee, an executed original hereof (together with all attachments) will be delivered to the Administrative Agent. The effective date of this Assignment and Assumption Agreement shall

be the date of execution hereof by the Assignor, the Assignee and the consent hereof by the Administrative Agent (and if required by the terms of the Credit Agreement, the consent of the Borrower, which consents will not be unreasonably withheld), the recordation by the Administrative Agent of the assignment effected hereby in the Register and the receipt by the Administrative Agent of the applicable assignment fee referred to in Section 11.6(c) of the Credit Agreement, unless otherwise specified in Item 5 of Annex I attached hereto (the "*Settlement Date*").

5. Upon the delivery of a fully executed original hereof to the Administrative Agent, as of the Settlement Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment or Assumption Agreement, have the rights and obligations of a Bank thereunder and under the other Credit Documents and (ii) the Assignor shall, to the extent provided in this Assignment or Assumption Agreement, relinquish its rights and be released from its obligations under the Credit Agreement and the other Credit Documents.

6. It is agreed that upon the effectiveness hereof, the Assignee shall be entitled to (x) all interest on the Assigned Share of the Loans at the rates specified in Item 6 of Annex I attached hereto, and (y) all commitment fees (if applicable) on the Assigned Share of the Commitment, at the rates specified in Item 7 of Annex I attached hereto, which, in each case, accrue on and after the Settlement Date, such interest and, if applicable, commitment fees to be paid by the Administrative Agent directly to the Assignee. It is further agreed that all payments of principal made by the Borrower on the Assigned Share of the Loans which occur on and after the Settlement Date will be paid directly by the Administrative Agent to the Assignee. Upon the Settlement Date, the Assignee shall pay to the Assignor an amount specified by the Assignor in writing which represents the Assigned Share of the principal amount of the Loans made by the Assignor pursuant to the Credit Agreement which are outstanding on the Settlement Date, net of any closing costs, and which are being assigned hereunder. The Assignor and the Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Settlement Date directly between themselves.

7. This Assignment Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

* * *

In Witness Whereof, the parties hereto have caused this Assignment and Assumption Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[Name of Assignor], as Assignor

By _____

Title _____

[Name of Assignee], as Assignee

By _____

Title _____

Acknowledged and Agreed:

HARRIS TRUST AND SAVINGS BANK, as Administrative Agent

By _____

Title _____

Acknowledged and Agreed:

ALLIANCE DATA SYSTEMS CORPORATION

By _____

Title _____

ANNEX I
ANNEX FOR ASSIGNMENT AGREEMENT

1.	The Borrower:	Alliance Data Systems Corporation
2.	Name and Date of Credit Agreement:	Credit Agreement (364-Day), dated as of April 10, 2003, among the Borrowers, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer
3.	Date of Assignment Agreement:	,
4.	Amounts (as of date of item #3 above):	
5.	Settlement Date:	,
6.	Rate of Interest to the Assignee:	As set forth in Section 2.6 of the Credit Agreement (unless otherwise agreed to by the Assignor and the Assignee).(2)
7.	Commitment Fees	As set forth in Section 2.7(a) of the Credit Agreement (unless otherwise agreed to by the Assignor and the Assignee). (3)
8.	Notices:	Assignor:

Attention:

Telephone No.:

Facsimile No.:

(2) The Borrower and the Administrative Agent shall direct the entire amount of the interest to the Assignee at the rate set forth in Section 2.6 of the Credit Agreement, with the Assignor and Assignee effecting any agreed upon sharing of interest through payments by the Assignee to the Assignor.

(3) The Borrower and the Administrative Agent shall direct the entire amount of the commitment fees to the Assignee at the rate set forth in Section 2.7(a) of the Credit Agreement, with the Assignor and the Assignee effecting any agreed upon sharing of fees through payment by the Assignee to the Assignor.

Assignee:

Attention:

Telephone No.:

Facsimile No.:

9. Payment Instructions:

Assignor:

ABA No.:

Account No.:

Reference:

Attention:

Assignee:

ABA No.:

Account No.:

Reference:

Attention:

EXHIBIT B

NOTE

Chicago, Illinois
, 2003

For value received, Alliance Data Systems Corporation, a Delaware corporation (the "*Borrower*"), promises to pay to the order of [Name of Bank] (the "*Bank*"), the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Harris Trust and Savings Bank (the "*Administrative Agent*") at 111 West Monroe Street, Chicago, Illinois (or, at such other office as the Administrative Agent has previously notified the Borrower in accordance with Article 2 of the Credit Agreement).

All Loans made by the Bank, the respective types thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided, that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Notes referred to in the Credit Agreement (364-Day) dated as of April 10, 2003, among Alliance Data Systems Corporation, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

ALLIANCE DATA SYSTEMS CORPORATION

By

Name

Title

EXHIBIT B-2

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan	Amount of Principal Repaid	Notation Made By

EXHIBIT C

FORM OF GUARANTOR SUPPLEMENT

,

Harris Trust and Savings Bank, as Administrative Agent for the Banks party to the Credit Agreement (364-Day) dated as of April 10, 2003 among Alliance Data Systems Corporation, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*")

Ladies and Gentlemen:

Reference is made to the Credit Agreement described above. Terms not defined herein which are defined in the Credit Agreement shall have for the purposes hereof the meaning provided therein.

The undersigned, **[name of Subsidiary Guarantor]**, a **[jurisdiction of incorporation]** corporation, hereby acknowledges that it is a "*Guarantor*" for all purposes of the Credit Agreement, effective from the date hereof. The undersigned confirms that the representations and warranties set forth in Article 5 of the Credit Agreement are true and correct as to the undersigned as of the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

Without limiting the generality of the foregoing, the undersigned hereby agrees to perform all the obligations of a Guarantor under, and to be bound in all respects by the terms of, the Credit Agreement, including without limitation Article 10 thereof, to the same extent and with the same force and effect as if the undersigned were a direct signatory thereto.

This Agreement shall be construed in accordance with and governed by the internal laws of the State of New York.

Very truly yours,

[NAME OF SUBSIDIARY GUARANTOR]

By _____

Name _____

Title _____

EXHIBIT D

COMMITMENT AMOUNT INCREASE REQUEST

,

Harris Trust and Saving Bank,
as Administrative Agent
111 West Monroe Street
Chicago, Illinois 60603

Attention: Agency Services

Re: Credit Agreement (364-Day) dated as of April 10, 2003 among Alliance Data Systems Corporation, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*")

Ladies and Gentlemen:

In accordance with the Credit Agreement, the Borrower on behalf of the Borrower and Guarantors hereby requests that the Administrative Agent, each Letter of Credit Issuer and the Swing Lender consent to an increase in the aggregate Commitments (the "*Commitment Amount Increase")*, in accordance with Section 2.16 of the Credit Agreement, to be effected by **[an increase in the Commitment of [name of existing Bank] the addition of [name of new Bank] (the *"New Bank"*) as a Bank under the terms of the Credit Agreement]**. Capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.

After giving effect to such Commitment Amount Increase, and upon the effectiveness of the Commitment Amount Increase, **[Name of existing Bank] [the New Bank]** shall have a Commitment of $.

[Include paragraphs 1-4 for a New Bank]

1. The New Bank hereby confirms that it has received a copy of the Credit Documents and the exhibits and schedules related thereto, together with copies of the documents which were required to be delivered under the Credit Agreement as a condition to the making of the Loans and other extensions of credit thereunder. The New Bank acknowledges and agrees that it has made and will continue to make, independently and without reliance upon the Administrative Agent or any other Bank and based on such documents and information as it has deemed appropriate, its own credit analysis and decisions relating to the Credit Agreement. The New Bank further acknowledges and agrees that the Administrative Agent has not made any representations or warranties about the creditworthiness of the Borrower or any Guarantor or any other party to the Credit Agreement or any other Credit Document or with respect to the legality, validity, sufficiency or enforceability of the Credit Agreement or any other Credit Document or the value of any security therefor.

2. Except as otherwise provided in the Credit Agreement, effective as of the date of acceptance hereof by the Administrative Agent, the New Bank (i) shall be deemed automatically to have become a party to the Credit Agreement and have all the rights and obligations of a "*Bank*" under the Credit Agreement as if it were an original signatory thereto and (ii) agrees to be bound by the terms and conditions set forth in the Credit Agreement as if it were an original signatory thereto.

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3. The New Bank hereby advises you of the following administrative details with respect to its Loans and Commitment:

(A) Notices:

Institution Name: _____

Address: _____

_____

Telephone: _____

Facsimile:

(B) Payment Instructions:

(C) Effective date of Commitment Amount Increase, which shall not be earlier than 5 Business Days after the date hereof:

[4. The New Bank has delivered, if appropriate, to the Borrower and the Administrative Agent (or is delivering to the Borrower and the Administrative Agent concurrently herewith) the tax forms referred to in the Credit Agreement.]*

* Insert bracketed paragraph if New Bank is organized under the law of a jurisdiction other than the United States of America or a state thereof.

THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACTUAL OBLIGATION UNDER, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Commitment Amount Increase shall be effective when the executed consent of the Administrative Agent is received or otherwise in accordance with Section 2.16, of the Credit Agreement, but not in any case prior to , . It shall be a condition to the effectiveness of the Commitment Amount Increase that (i) all fees and expenses referred to in Section 2.16 of the Credit Agreement shall have been paid and (ii) no Euro-Dollar Loans shall be outstanding on the date of such effectiveness.

The Borrower hereby certifies that no Default has occurred and is continuing.

Please indicate consent to such Commitment Amount Increase by signing the enclosed copy of this letter in the space provided below.

Very truly yours,

ALLIANCE DATA SYSTEMS CORPORATION

By _____

Name: _____

Title: _____

[NEW BANK/BANK INCREASING COMMITMENTS]

By: _____

Name: _____

Title: _____

The undersigned hereby consents on this day of , to the above-requested Commitment Amount Increase.

HARRIS TRUST AND SAVINGS BANK,
as Administrative Agent

By: _____

Name: _____

Title: _____

Use these links to rapidly review the document
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EXHIBIT 10.4

U.S. $100,000,000

CREDIT AGREEMENT (CANADIAN)

dated as of April 10, 2003

among

LOYALTY MANAGEMENT GROUP CANADA INC.,
as Borrower,

THE GUARANTORS PARTY HERETO,

THE BANKS PARTY HERETO,

BANK OF MONTREAL,
as Letter of Credit Issuer,

and

HARRIS TRUST AND SAVINGS BANK,
as Administrative Agent

SUNTRUST CAPITAL MARKETS, INC.

and

BMO NESBITT BURNS,
as Joint-Lead Arrangers

and

SUNTRUST BANK,
as Syndication Agent

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This CREDIT AGREEMENT (CANADIAN), dated as of April 10, 2003, is entered into by and among LOYALTY MANAGEMENT GROUP CANADA INC., an Ontario corporation (the "*Borrower*"), the GUARANTORS from time to time party hereto, the Banks from time to time party hereto, BANK OF MONTREAL, as Letter of Credit Issuer, and Harris Trust and Savings Bank, as Administrative Agent.

WHEREAS, the Borrower has requested that the Banks provide a 3-year credit facility to the Borrower on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following terms, as used herein, have the following meanings:

"*Administrative Agent*" means Harris Trust and Savings Bank in its capacity as agent for the Banks hereunder, and its successors in such capacity.

"*ADSC*" means Alliance Data Systems Corporation, a Delaware corporation.

"*ADSI*" means ADS Alliance Data Systems, Inc., a Delaware corporation.

"*ADSNZ*" means ADSNZ Alliance Data Systems New Zealand, a New Zealand corporation.

"*Affected Loans*" has the meaning set forth in Section 2.11(c).

"*Affiliate*" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "*Controlling Person*") or (ii) any Person (other than the Borrower or a Subsidiary thereof) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to vote 10% or more of any class of voting securities of a Person or to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise. The Affiliate of a Person shall include any officer or director of such Person.

"*Agreement*" means this Canadian Credit Agreement, as modified, supplemented, amended, restated (including any amendment and restatement hereof), extended, renewed or refinanced from time to time.

"*Applicable Commitment Fee Percentage*" means a rate per annum equal to the applicable rate specified in the pricing schedule attached hereto as Appendix 1.

"*Applicable Lending Office*" means, with respect to any Bank, (i) in the case of its U.S. Dollar Loans, its Domestic Lending Office, (ii) in the case of its Canadian Dollar Loans, its Canadian Lending Office, (iii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office, and (iv) in the case of its Euro-Canadian Dollar Loans, its Euro-Canadian Dollar Lending Office.

"*Assignment and Assumption Agreement*" means an appropriately completed Assignment and Assumption Agreement in the form of Exhibit A hereto.

"*Bank*" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 11.6(c), and their respective successors.

"*Base Rate*" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of $^{1}/_{2}$ of 1% plus the Federal Funds Rate for such day.

"*Base Rate Loan*" means (i) a Loan which bears interest at the Base Rate pursuant to the provisions of Articles 2 or 9 hereof or (ii) an overdue amount which was a Base Rate Loan immediately before it became overdue.

"*Base Rate Margin*" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"*Beneficiaries*" has the meaning set forth in Section 10.1.

"*Benefit Arrangement*" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"*Borrower*" has the meaning provided in the first paragraph of this Agreement.

"*Borrowing*" has the meaning set forth in Section 1.3.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario are authorized by law to close and, if the applicable Business Day relates to an advance or continuation of, or conversion into, or payment of, a Euro-Dollar Loan or Euro-Canadian Dollar Loan, on which commercial banks are open for international business (including dealing in U.S. Dollars or Canadian Dollar deposits, as the case may be) in London, England.

"*Canadian Base Rate*" means, for any day, the greater of: (i) the floating annual rate of interest established by the Administrative Agent's Affiliate, Bank of Montreal, from time to time as the reference rate it will use to determine rates of interest on Canadian Dollar loans to customers in Canada and designated as its prime rate, as in effect on such day (it being acknowledged and agreed that such rate may not be Bank of Montreal's best or lowest rate); and (ii) the CDOR Rate applicable on such day plus 1.0%.

"*Canadian Base Rate Loan*" means (i) a Loan which bears interest at the Canadian Base Rate pursuant to the provisions of Articles 2 or 9 hereof or (ii) an overdue amount which was a Canadian Base Rate Loan immediately before it became overdue.

"*Canadian Base Rate Margin*" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"*Canadian Dollar Loans*" means and includes each Loan denominated in Canadian Dollars.

"*Canadian Dollars*" and "*Cdn$*" each mean the lawful currency of Canada.

"*Canadian Lending Office*" means, as to each Bank, its office identified as such on the signature page hereto or such other office as such Bank may hereafter designate as its Canadian Lending Office by notice to the Borrower and the Administrative Agent, which office shall be located in Canada.

"*Canadian Pledge Agreement*" means the Pledge Agreement, dated as of April 10, 2003, by and between the Borrower, ADSC, ADSI and the Collateral Agent, as such agreement may be amended, modified or supplemented from time to time.

"*Canadian Scheme License*" means the Amended and Restated License to Use and Exploit the Air Miles Scheme in Canada, made as of July 24, 1998, between Air Miles International Trading B.V. and the Borrower, as such may be amended from time to time.

"*Canadian Trademark License*" means the Amended and Restated License to Use the Air Miles Trade Marks in Canada, dated July 24, 1998, between Air Miles International Holdings N.V. and the Borrower, as such may be amended from time to time.

"*CDOR Rate*" means on any day the annual rate of interest which is the rate determined as being the arithmetic average of the quotations of all institutions listed in respect of the "BA 1 Month" Rate for Canadian Dollar denominated bankers' acceptances displayed and identified as

such on the "Reuters Screen CDOR Page" (as defined in the International Swap Dealer Association, Inc. definitions, as modified and amended from time to time) as of 10:00 a.m. Toronto, Ontario local time on such day and, if such day is not a Business Day, then on the immediately preceding Business Day (as adjusted by the Administrative Agent after 10:00 a.m. Toronto, Ontario local time to reflect any error in a posted rate of interest or in the posted average annual rate of interest); and if such rates are not available on the Reuters Screen CDOR Page on any particular day, then the CDOR Rate on that day shall be calculated as the 30 day rate applicable to Canadian Dollar denominated bankers' acceptances quoted by the Administrative Agent's Affiliate, Bank of Montreal, as of 10:00 a.m. Toronto, Ontario local time on such day; or if such day is not a Business Day, then as quoted by the Administrative Agent's Affiliate, Bank of Montreal, on the immediately preceding Business Day.

"*Change of Control*" means (i) ADSC shall cease to own and control 100% of the capital stock of the Borrower, (ii) ADSC shall cease to own and control 100% of the capital stock of WFNNB or (iii) the acquisition by any "*person*" or "*group*" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) at any time of beneficial ownership of 30% or more of the outstanding Voting Stock of ADSC on a fully-diluted basis, other than acquisitions of such interests by the Welsh, Carson, Anderson & Stowe Partnerships or The Limited; *provided*, that common stock owned by employees (either individually or through employee stock ownership or other stock based benefit plans) of ADSC and its Subsidiaries shall not be included in the calculation of ownership interests for purposes of this definition or any "change of control."

"*Code*" means the U.S. Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect on the Effective Date and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"*Collateral*" means the "Collateral," as defined in the Pledge Agreements.

"*Collateral Agent*" means Harris Trust and Savings Bank, acting as Collateral Agent on behalf of the Secured Creditors, and its successors in such capacity.

"*Commitment*" means, (i) with respect to each Bank listed on the signature pages hereof, the amount set forth opposite its name on Schedule I hereto under the heading "Commitment" and (ii) with respect to each assignee that becomes a Bank pursuant to Section 11.6(c), the amount of the Commitment thereby assumed by it, in each case as such amount may be increased pursuant to Section 2.15, increased or reduced from time to time pursuant to Section 11.6(c) or reduced from time to time pursuant to Section 2.8.

"*Commitment Amount Increase*" has the meaning set forth in Section 2.15.

"*Commitment Amount Increase Request*" means a Commitment Amount Increase Request in the form of Exhibit D.

"*Consolidated Capital Expenditures*" of any Person means, for any period, the additions to property, plant and equipment and other capital expenditures of such Person and its Consolidated Subsidiaries for such period, as the same are or would be set forth in a consolidated statement of cash flows of such Person and its Consolidated Subsidiaries for such period.

"*Consolidated Debt*" of any Person means, at any date, the Debt of such Person and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"*Consolidated EBIT*" of any Person means, for any period, Consolidated Net Income of such Person for such period, adjusted by adding thereto the Total Interest Expense determined on a consolidated basis and taxes based on income, all with respect to such period.

"*Consolidated Interest Expense*" of any Person means, for any period, the Total Interest Expense of such Person and its Consolidated Subsidiaries determined on a consolidated basis for such period.

"*Consolidated Net Income*" of any Person means, for any fiscal period, the net income of such Person and its Consolidated Subsidiaries, determined on a consolidated basis for such period, exclusive of the effect of any extraordinary or other nonrecurring gain and loss and excluding all non-cash adjustments; *provided that* any cash payment made (or received) with respect to any such non-cash charge, expense or loss shall be subtracted (added) in computing Consolidated Net Income during the period in which such cash payment is made (or received).

"*Consolidated Net Worth*" of any Person means at any date the consolidated stockholders' equity of such Person and its Consolidated Subsidiaries.

"*Consolidated Operating EBITDA*" of any Person means, for any fiscal period, Consolidated EBIT for such Person for such period, adjusted by (i) adding thereto the amount of all depreciation and amortization expenses that were deducted in determining Consolidated EBIT, (ii) adding thereto the change from the prior period in the Deferred Revenue Account, and (iii) subtracting therefrom the change from the prior period in the Restricted Cash Account.

"*Consolidated Subsidiary*" of any Person means, at any date, any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date.

"*Consolidated Total Assets*" of any Person means total assets of such Person and its Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles.

"*Credit Document*" means this Agreement, the Notes, the Pledge Agreements, the US Credit Agreements, the WFNNB Note and each other document (including any additional guarantees) executed or delivered in connection herewith or therewith.

"*Credit Party*" shall mean the Borrower, each Guarantor, and with respect to its obligations under the WFNNB Note only, WFNNB.

"*Debt*" of any Person means at any date, without duplication (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all non-contingent obligations (and, for purposes of Section 6.9, Section 6.15 and the definitions of "Material Debt" and "Material Financial Obligations," all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vi) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, and (vii) all Debt of others Guaranteed by such Person, but excluding Qualifying Deposits.

"*Default*" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"*Deferred Revenue Account*" means the account on the consolidating balance sheet of ADSC associated solely with the change in revenue recognition by the Borrower as required by the Securities and Exchange Commission of the United States of America.

"*Delinquency Ratio*" means, for any calendar month, the percentage equivalent of a fraction (a) the numerator of which is the aggregate amount of all Managed Receivables the minimum payments on which are more than 90 days contractually overdue and (b) the denominator of which is all Managed Receivables, in each case determined as of the last day of such calendar month.

"*Derivatives Obligations*" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions), any transaction whose value is derived from another asset or security, or any combination of the foregoing transactions.

"*Dollars*" and "*$*" means freely transferable lawful money of the United States of America.

"*Domestic Lending Office*" means, as to each Bank, its office identified as such on the signature page hereto or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent, which office shall be located in Canada.

"*Domestic Subsidiary*" means any Subsidiary of ADSC incorporated or organized in the United States or any state or territory thereof.

"*Effective Date*" means April 10, 2003.

"*Eligible Transferee*" means and includes a commercial bank, insurance company, financial institution, fund or other Person (other than a natural person) which regularly purchases interests in loans or extensions of credit of the types made pursuant to this Agreement.

"*Environmental Laws*" means any and all federal, state, provincial, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the cleanup or other remediation thereof.

"*ERISA*" means the U.S. Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"*ERISA Group*" of any Person means such Person, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with ADSC or any Subsidiary, are treated as a single employer under Section 414 of the Code.

"*Euro-Canadian Dollar Lending Office*" means, as to each Bank, its office, branch or affiliate identified as such on the signature pages hereto or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Canadian Dollar Lending Office by notice to the Borrower and the Administrative Agent, which office shall be located in Canada.

"*Euro-Canadian Dollar Loan*" means (i) a Loan which bears interest at a Euro-Canadian Dollar Rate or (ii) an overdue amount which was a Euro-Canadian Dollar Loan immediately before it became overdue.

"*Euro-Canadian Dollar Margin*" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"*Euro-Canadian Dollar Rate*" means a rate of interest determined pursuant to Section 2.6(b) on the basis of the London Interbank Offered Rate.

"*Euro-Dollar Lending Office*" means, as to each Bank, its office, branch or affiliate identified as such on the signature pages hereto or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent, which office shall be located in Canada.

"*Euro-Dollar Loan*" means (i) a Loan which bears interest at a Euro-Dollar Rate or (ii) an overdue amount which was a Euro-Dollar Loan immediately before it became overdue.

"*Euro-Dollar Margin*" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"*Euro-Dollar Rate*" means a rate of interest determined pursuant to Section 2.6 on the basis of the London Interbank Offered Rate.

"*Event of Default*" has the meaning set forth in Section 7.1.

"*Existing Credit Facilities*" means (i) that certain Amended and Restated Credit Agreement, dated as of July 24, 1998 and amended and restated as of October 22, 1998, among ADSC, the Borrower, the guarantors from time to time party thereto, the banks from time to time party thereto and Harris Trust and Savings Bank, as administrative agent, as amended to the Effective Date, and (ii) that certain 364-Day Credit Agreement, dated as of May 22, 2002, by and among ADSC, the Borrower, the guarantors from time to time party thereto, the banks from time to time party thereto and Harris Trust and Savings Bank, as administrative agent.

"*Federal Funds Rate*" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided*, that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"*Foreign Pension Plan*" means any plan, fund (including, without limitation, any superannuation fund) or other similar program established or maintained outside the United States of America by the Borrower or any one or more of its Subsidiaries primarily for the benefit of employees of the Borrower or such Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"*Foreign Subsidiary*" means each Subsidiary of ADSC other than a Domestic Subsidiary.

"*Guaranteed Obligations*" has the meaning set forth in Section 10.1.

"*Guarantor*" means ADSC, ADSI and each other direct and indirect Material Subsidiary of ADSC that becomes a Guarantor from time to time after the Effective Date pursuant to Section 6.25.

"*Guarantor Supplement*" means an appropriately completed Guarantor Supplement substantially in the form of Exhibit C hereto.

"*Guaranty*" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the holder of such Debt of the payment thereof to protect such holder against loss in respect thereof (in whole or in part), *provided*, that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranty" used as a verb has a corresponding meaning.

"*Hazardous Substances*" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"*Hostile Acquisition*" means the acquisition of the capital stock or other equity interests of a Person through a tender offer or similar solicitation of the owners of such capital stock or other equity interests which has not been approved (prior to such acquisition) by resolutions of the Board of Directors of such Person or by similar action if such Person is not a corporation, and as to which such approval has not been withdrawn.

"*Indemnitee*" has the meaning set forth in Section 11.3(b).

"*Insured Subsidiary*" means a Subsidiary of ADSC which is an "insured depository institution" under and as defined in the U.S. Federal Deposit Insurance Act (12 U.S.C. 1813(c)(2)) or any successor statute.

"*Intellectual Property*" has the meaning set forth in Section 4.12.

"*Intercompany Note*" means a promissory note made by an Insured Subsidiary other than WFNNB payable to the order of ADSC or any of its Subsidiaries (other than an Insured Subsidiary or a Qualified Securitization Subsidiary or a Subsidiary of an Insured Subsidiary or Qualified Securitization Subsidiary).

"*Intercreditor Agreement*" means the Intercreditor and Collateral Agency Agreement dated as of April 10, 2003, among the Collateral Agent, the financial institutions party to the US Credit Agreements and the Banks party hereto, as such may be amended from time to time.

"*Interest Coverage Ratio*" of any Person means, for any period, the ratio of Consolidated Operating EBITDA of such Person for such period to Consolidated Interest Expense of such Person for such period.

"*Interest Period*" means with respect to each Euro-Dollar Loan or Euro-Canadian Dollar Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Interest Period Election and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; *provided* that:

(i) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month; and

(iii) any Interest Period which would otherwise end after the Maturity Date shall end on the Maturity Date (unless such date is not a Business Day, in which case such Interest Period shall end on the latest Business Day to occur prior to the Maturity Date).

"*Investment*" means any investment in any Person, whether by means of share purchase, capital contribution, loan, Guaranty, time deposit or otherwise (but not including any demand deposit).

"*L/C Participant*" has the meaning set forth in Section 2A.5.

"*L/C Supportable Obligations*" means and includes obligations of the Borrower or its Subsidiaries incurred in the ordinary course of business as are reasonably acceptable to the Administrative Agent and the respective Letter of Credit Issuer and otherwise permitted to exist pursuant to the terms of this Agreement.

"*Letter of Credit*" has the meaning set forth in Section 2A.1(a).

"*Letter of Credit Commitment*" means U.S. $15,000,000, as the same may be reduced from time to time pursuant to Section 2.8.

"*Letter of Credit Fee*" has the meaning set forth in Section 2.7(b).

"*Letter of Credit Issuer*" means Bank of Montreal in its individual capacity and any Bank which at the request of the Borrower and with the consent of the Administrative Agent agrees, in such Bank's sole discretion, to become a Letter of Credit Issuer for the purpose of issuing Letters of Credit. The sole Letter of Credit Issuer on the Effective Date is Bank of Montreal in its individual capacity.

"*Letter of Credit Outstandings*" means, at any time, the sum of, without duplication, (i) the aggregate U.S. Dollar Equivalent of the Stated Amount of all outstanding Letters of Credit and (ii) the aggregate U.S. Dollar Equivalent of all Unpaid Drawings in respect of all Letters of Credit.

"*Letter of Credit Request*" has the meaning set forth in Section 2A.3(a).

"*License Agreements*" means the Canadian Trademark License, the US Trademark License, the Canadian Scheme License, and the US Scheme License.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, hypothec, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"*Loan*" means a loan made by a Bank pursuant to Section 2.1; *provided,* that if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "*Loan*" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"*London Interbank Offered Rate*" means, for any Interest Period, (a) with respect to any Euro-Dollar Loan, either (i) the rate per annum (rounded upward, if necessary, to the next higher

one 1/100th of 1%) for deposits in Dollars for a period equal to such Interest Period, which appears on Telerate Page 3750 (or any successor page) as of 11:00 a.m. (London, England time) on the day two Business Days before the commencement of such Interest Period or (ii) if the rate in clause (i) of this definition is not shown for any particular day, the rate per annum (rounded upward, if necessary, to the next higher 1/100 of 1%) at which deposits in U.S. Dollars are offered to the Administrative Agent in the London interbank market at approximately 11:00 a.m. (London, England time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loans of the Administrative Agent to which such Interest Period is to apply and for a period of time comparable to such Interest Period and (b) with respect to any Euro-Canadian Dollar Loan, either (i) the rate per annum shown on "LIBOR 02 Page" (or any substitute therefor) of Reuters Monitor Money Rates Service or, if such LIBOR 02 Page is not available, at the rate per annum shown on page 3740 of the Telerate screen (or any successor page) as the composite offered rate for deposits in Canadian Dollars in the interbank Euro-Canadian Dollar market with a period comparable to the Interest Period for such Euro-Canadian Dollar Loan as at 11:00 a.m. (London, England time) two Business Days prior to the first day of such Interest Period or (ii) if the rate in clause (i) of this definition is not shown for any particular day, the average interest rate per annum (rounded upwards if necessary to the next 1/100th of 1%) offered to the Administrative Agent in the interbank Euro-Canadian Dollar market for Canadian Dollar deposits, for delivery in immediately available funds on the first day of such Interest Period, of amounts comparable to the principal amount of the Euro-Canadian Dollar Loan to which such rate is to apply with maturities comparable to the Interest Period for which such rate will apply as of approximately 11:00 a.m. (London, England time) two Business Days prior to the first day of such Interest Period.

"*Managed Receivables*" of any Person means for any date all credit card receivables originated by such Person as of such date regardless of whether such credit card receivables are determined, with respect to such Person's financial statements, to be "on-balance sheet" or "off-balance sheet."

"*Material Debt*" means Debt (other than the Loans hereunder) (i) of a Person and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding U.S. $25,000,000 and (ii) under either of the US Credit Agreements.

"*Material Financial Obligations*" of any Person means a principal or face amount of Debt and/or payment or collateralization obligations in respect of Derivatives Obligations of such Person and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, exceeding in the aggregate U.S. $25,000,000.

"*Material Plan*" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of U.S. $10,000,000.

"*Material Subsidiary*" means each direct or indirect Subsidiary which (i) owned as of the end of the most recently completed fiscal quarter (or, in the case of an acquired Subsidiary, on a *pro forma* basis would have owned) assets that represent in excess of 10% of the Consolidated Total Assets of ADSC as of the end of such fiscal quarter or (ii) generated (or, in the case of an acquired Subsidiary, on a *pro forma* basis would have generated) annual revenues in excess of 10% of the consolidated total revenues for ADSC and its Consolidated Subsidiaries for the most recently completed fiscal year.

"*Maturity Date*" means April 10, 2006.

"*Multiemployer Plan*" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made

contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"*Note*" means any Revolving Note and the Swing Note.

"*Notice of Borrowing*" has the meaning set forth in Section 2.2.

"*Notice of Interest Period Election*" has the meaning set forth in Section 2.9.

"*Obligations*" means (i) all amounts owing to the Administrative Agent, the Collateral Agent or any Bank pursuant to the terms of this Agreement or any other Credit Document and (ii) so long as there are amounts owing under clause (i), Derivative Obligations from time to time owed to a Person that, at the time of incurrence thereof, was a Bank or an Affiliate of a Bank.

"*Original Dollar Amount*" means (i) the amount of any Obligation denominated in U.S. Dollars (ii) in relation to any Euro-Canadian Dollar Loan, the U.S. Dollar Equivalent of such Loan on the first day of its Interest Period and (iii) in relation to any Canadian Base Rate Loan, the U.S. Equivalent of such Loan on such the day such determination is required.

"*Parent*" means, with respect to any Bank, any Person controlling such Bank.

"*Participant*" has the meaning set forth in Section 11.6(b).

"*Payment Office*" means the office of the Administrative Agent's Affiliate, Bank of Montreal located in Toronto, Ontario, or such other office in Canada as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"*PBGC*" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"*Percentage*" means at any time for each Bank with a Commitment, the percentage obtained by dividing such Bank's Commitment by the Total Commitment, *provided* that if the Total Commitment has been terminated, the Percentage of each Bank shall be determined by dividing such Bank's Commitment immediately prior to such termination by the Total Commitment immediately prior to such termination.

"*Permitted Subordinated Debt*" means subordinated Debt of ADSC, *provided* that (i) the Administrative Agent and the Banks shall have been given prompt notice of the issuance of such Debt, together with a certificate signed by a senior financial officer of ADSC showing *pro forma* compliance with the financial covenants contained in Sections 6.11 and 6.13 after giving effect to such issuance of Debt, (ii) such Debt shall be expressly subordinated in right of payment to ADSC's Guaranty of the Obligations in a manner reasonably acceptable to the Administrative Agent, (iii) such Debt shall be unsecured and unguaranteed other than guarantees issued by guarantors of the US Credit Agreements which are subordinated in right of payment to the obligations of such guarantors hereunder pursuant to subordination terms reasonably acceptable to the Administrative Agent, (iv) such Debt shall have a maturity not earlier than the date which is six months after the latest of the Maturity Date and the final maturity of the loans outstanding under either US Credit Agreement and no amortization or sinking fund payments shall be required in respect of such Debt prior to such date and (v) no covenant or default applicable to such debt shall be more restrictive than those contained in this Agreement and the subordination provisions, covenants and defaults pertaining to such Debt, taken as a whole, shall be no more restrictive, and no less favorable to the Banks, than those customarily applicable to publicly issued subordinated indebtedness. "*Permitted Subordinated Debt*" shall include any Guaranties thereof permitted under clause (iii) above.

"*Person*" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"*Plan*" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"*Pledge Agreement*" means the Pledge Agreement, dated as of April 10, 2003, by and between ADSC, the guarantors parties thereto, and the Collateral Agent, as such agreement may be amended, modified or supplemented from time to time.

"*Pledge Agreements*" means the Pledge Agreement and the Canadian Pledge Agreement.

"*PPSA*" means the Personal Property Security Act (Ontario) and the regulations thereunder, as from time to time in effect, *provided, however,* if attachment, perfection or priority of the Collateral Agent's security interests in any Collateral are governed by the personal property security laws of any jurisdiction other than Ontario, PPSA shall mean those personal property security laws in such other jurisdiction for the purposes of the provisions hereof relating to such attachment, perfection or priority and for the definitions related to such provisions.

"*Prime Rate*" means the rate of interest announced or otherwise established by the Administrative Agent from time to time as its Prime Rate.

"*Qualified Securitization Subsidiary*" means a Subsidiary that is a special purpose entity used in connection with a Qualified Securitization Transaction.

"*Qualified Securitization Transaction*" means a securitization or other sale or financing of credit card receivables.

"*Qualifying Deposits*" means deposits that are (i) insured by the U.S. Federal Deposit Insurance Corporation and (ii) do not exceed the difference between (A) the amount of seller's interest and credit card receivables *minus* (B) the allowance for doubtful accounts related to seller's interest and credit card receivables, in each case as shown on the consolidated balance sheet of ADSC and its Subsidiaries.

"*Quarterly Dates*" has the meaning set forth in Section 2.6(a).

"*Refunded Swing Loans*" has the meaning set forth in Section 2.1(c).

"*Refunding Date*" has the meaning set forth in Section 2.1(d).

"*Refunding Swing Loan*" has the meaning set forth in Section 2.1(c).

"*Regulation U*" means Regulation U of the Board of Governors of the U.S. Federal Reserve System, as in effect from time to time.

"*Required Banks*" means Banks the sum of whose outstanding Commitments (or after the termination thereof, outstanding Revolving Loans and Percentages of Swing Loans and Letter of Credit Outstandings) represent an amount greater than 50% of the sum of the Total Commitment (or after the termination thereof, the sum of the total outstanding Revolving Loans and Percentages of Swing Loans and Letter of Credit Outstandings at such time).

"*Restricted Acquisition*" means any acquisition, whether in a single transaction or series of related transactions, by ADSC or any one or more of its Subsidiaries, or any combination thereof, of (i) all or a substantial part of the assets, or all or any substantial part of a going business or division, of any Person, whether through purchase of assets or securities, by merger or otherwise, (ii) control of securities of an existing corporation or other Person having ordinary voting power (apart from rights accruing under special circumstances) to elect a majority of the board of directors of such corporation or other Person or (iii) control of a greater than 50% ownership interest in any existing partnership, joint venture or other Person).

"*Restricted Cash*" means cash required by ADSC and its Subsidiaries to fund securitization spread accounts, cash collateral accounts relating to securitization of credit card receivables, excess funding accounts relating to securitization of credit card receivables and cash restricted to fund future Air Miles redemptions.

"*Restricted Cash Account*" means the account on the consolidating balance sheet of ADSC related solely to redemption settlement assets of the Borrower's "Air Miles Program."

"*Restricted Payment*" means (i) any dividend or other distribution on any shares of a Person's (including any Credit Party's) capital stock (except dividends or distributions payable solely in shares of its capital stock and except dividends and distributions payable to ADSC or any of its Subsidiaries) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of a Person's (including any Credit Party's) capital stock or (b) any option, warrant or other right to acquire shares of a Person's capital stock (but not including (1) payments of principal, premium (if any) or interest made pursuant to the terms of convertible debt securities prior to conversion, (2) payments made to ADSC or any of its Subsidiaries, and (3) payments made solely in shares of (or solely out of the net proceeds of a substantially concurrent issuance of) such Person's (including any Credit Party's) capital stock or options, warrants or other rights to acquire shares of such Persons' (including any Credit Party's) capital stock).

"*Revolving Loan*" has the meaning set forth in Section 2.1(a).

"*Revolving Note*" has the meaning set forth in Section 2.4(a).

"*Secured Creditors*" has the meaning set forth in the Pledge Agreements.

"*Senior Leverage Ratio*" means, at any time, the ratio of (x) all amounts owing by ADSC and its Subsidiaries pursuant to the terms of this Agreement or any other Credit Document or either US Credit Agreement to the agents and lenders thereunder to (y) Consolidated Operating EBITDA of ADSC and its Subsidiaries for the twelve months then most recently ended.

"*Stated Amount*" of each Letter of Credit means the maximum amount available to be drawn thereunder (regardless of whether any conditions for drawing could then be met).

"*Subsidiary*" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Borrower.

"*Swing Borrowing*" means a Borrowing pursuant to subsection 2.1(b).

"*Swing Lender*" means Bank of Montreal and any other Bank which agrees in its sole discretion, with the consent of the Administrative Agent and the Borrower, to replace Bank of Montreal as the Swing Lender hereunder.

"*Swing Loan Commitment*" means U.S. $15,000,000, as the same may be reduced from time to time pursuant to Section 2.8.

"*Swing Loan Refund Amount*" has the meaning set forth in subsection 2.1(c).

"*Swing Loans*" has the meaning set forth in Section 2.1(b).

"*Swing Margin*" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"*Swing Note*" has the meaning set forth in Section 2.4(a).

"*The Community Reinvestment Act*" means The Community Reinvestment Act of 1977 (12 U.S.C. 2901 *et seq.*) as amended.

"*The Limited*" means Limited Commerce Corp., a Delaware corporation and its successors and assigns.

"*Total Capitalization Ratio*" means, for any Person, the ratio of (x) Consolidated Debt of such Person at such time to (y) the sum of (i) Consolidated Debt of such Person at such time *plus* (ii) Consolidated Net Worth of such Person at such time.

"*Total Commitment*" means the aggregate amount of the Commitments of each of the Banks.

"*Total Interest Expense*" means, for any Person, interest paid on a consolidated basis with respect to all outstanding indebtedness including, without limitation, capital leases (in accordance with generally accepted accounting principles), all commissions, discounts and other fees and charges owed in connection with letters of credit or lines of credit, net payments under interest rate protection agreements, amortization of deferred financing costs, original issue discounts and any interest expense relating to deferred compensation arrangements.

"*Type*" means the type of Loan determined according to the interest option applicable thereto and the currency in which such Loan is denominated; *i.e.*, whether a Base Rate Loan, a Canadian Base Rate Loan, a Euro-Dollar Loan, or a Euro-Canadian Dollar Loan and whether advanced in U.S. Dollars or Canadian Dollars.

"*Unfunded Liabilities*" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"*Unpaid Drawing*" has the meaning set forth in Section 2A.4(a).

"*United States*" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"*US Credit Agreements*" that certain (i) Credit Agreement (364-Day) dated as of April 10, 2003, by and among ADSC, the guarantors from time to time party thereto, the financial institutions from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent for such financial institutions, as the same may be amended, modified, supplemented, replaced or refinanced from time to time and (ii) Credit Agreement (3-Year) dated as of April 10, 2003, by and among ADSC, the guarantors from time to time party thereto, the financial institutions from time to time party thereto, and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer for such financial institutions, as the same may be amended, modified, supplemented, replaced or refinanced from time to time.

"*U.S. Dollar Equivalent*" means, at any time, (a) with respect to any amount denominated in U.S. Dollars, such amount and (b) with respect to any amount denominated in Canadian Dollars,

the amount of U.S. Dollars which would be realized by converting Canadian Dollars into U.S. Dollars at the exchange rate quoted to the Administrative Agent at approximately 11:00 a.m. (London, England time) two Business Days prior to the date on which a computation thereof is required to be made, by major banks in the interbank foreign exchange market for the purchase of U.S. Dollars for Canadian Dollars.

"*U.S. Dollar Loans*" means and includes each Loan denominated in U.S. Dollars.

"*U.S. Dollars*" and "*U.S. $*" shall mean freely transferable lawful money of the United States of America.

"*US Scheme License*" means the Amended and Restated License to Use and Exploit the Air Miles Scheme in the United States, dated July 24, 1998, between Air Miles International Trading B.V. and ADSC, as such agreement may be amended from time to time.

"*US Trademark License*" means the Amended and Restated License to Use the Air Miles Trade Marks in the United States, dated July 24, 1998, between Air Miles International Holdings B.V. and ADSC, as such agreement may be amended from time to time.

"*Voting Stock*" of any Person means the equity interests of such Person that are, under ordinary circumstances, entitled to vote in the election of the board of directors or other persons performing similar functions of such Person.

"*WCAS Subordinated Note*" means the 10% Subordinated Note due September 15, 2008, dated September 15, 1998, issued by ADSC to WCAS Capital Partners III, L.P. in the principal amount of U.S. $52,000,000.

"*Welsh, Carson, Anderson & Stowe Partnerships*" means each Welsh, Carson, Anderson & Stowe limited partnership, as constituted on the Effective Date, as may be constituted in the future and any partner, partnership or Affiliate of any of them and their respective successors and assigns.

"*WFNNB*" means World Financial Network National Bank, a limited purpose national banking association wholly owned by ADSC.

"*WFNNB Note*" means a promissory note made by WFNNB payable to the order of ADSC or any of its Domestic Subsidiaries (other than an Insured Subsidiary or a Qualified Securitization Subsidiary or a Subsidiary of a Foreign Subsidiary, Insured Subsidiary or Qualified Securitization Subsidiary).

"*Wholly-Owned Subsidiary*" means, as to any Person, any corporation or other entity 100% of whose Voting Stock (other than director's qualifying shares) is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person.

Section 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time, applied on a basis consistent (except for changes concurred in by ADSC's independent public accountants) with the most recent audited consolidated financial statements of ADSC and its Consolidated Subsidiaries delivered to the Banks; *provided* that, (i) all calculations of financial covenants and corresponding accounting terms shall include for all periods covered thereby *pro forma* adjustments for the (x) actual historical financial performance of and (y) identifiable cost savings associated with providing data processing services to any entities acquired as permitted under Section 6.21(b) and (ii) if ADSC notifies the Administrative Agent that ADSC wishes to amend any covenant in Article 6 to eliminate the effect of any change in generally accepted accounting principles

on the operation of such covenant (or if the Administrative Agent notifies ADSC that the Required Banks wish to amend Article 6 for such purpose), then ADSC's compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to ADSC and the Required Banks.

Section 1.3. Types of Borrowings. The term "*Borrowing*" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article 2 on the same date, all of which Loans are of the same Type (subject to Article 9) and, except in the case of Base Rate Loans, have the same initial Interest Period.

ARTICLE 2

THE CREDITS

Section 2.1. Commitments to Lend. (a) *Revolving Loans.* At any time on or after the Effective Date and prior to the Maturity Date, each Bank with a Commitment severally agrees, on the terms and conditions set forth in this Agreement, to make loans (each a "*Revolving Loan*" and, collectively, the "*Revolving Loans*") to the Borrower pursuant to this Section from time to time in U.S. Dollars or Canadian Dollars in amounts such that the Original Dollar Amount of all Revolving Loans made by such Bank to the Borrower at any one time outstanding, when combined with such Bank's Percentage of the U.S. Dollar Equivalent of all Swing Loans and Letter of Credit Outstandings at such time, shall not exceed the amount of its Commitment. Each Borrowing under this Section (i) in U.S. Dollars shall be in an amount equal to U.S. $5,000,000 or any larger multiple of U.S. $1,000,000 and (ii) in Canadian Dollars shall be in an amount equal to Cdn $5,000,000 or any larger multiple of Cdn $1,000,000 (except that in each case any such Borrowing may be in the aggregate amount of the then unutilized Commitment) and shall be made from the several Banks ratably in proportion to their respective Commitments. Revolving Loans shall either be Base Rate Loans, Euro-Dollar Loans, Canadian Base Rate Loans, or Euro-Canadian Dollar Loans. Within the foregoing limits, the Borrower may borrow under this Section, prepay Revolving Loans to the extent permitted by Section 2.10, and reborrow at any time prior to the Maturity Date.

(b) *Swing Loans*. From time to time on or after the Effective Date and prior to the Maturity Date, the Swing Lender agrees, on the terms and conditions set forth in this Agreement, to make loans (each a "*Swing Loan*" and, collectively, the "*Swing Loans*") to the Borrower pursuant to this Section 2.1(b) in amounts such that (i) the U.S. Dollar Equivalent of Swing Loans made by the Swing Lender to the Borrower does not at any time exceed the Swing Loan Commitment of the Swing Lender and (ii) the sum of the Original Dollar Amount of all Revolving Loans and U.S. Dollar Equivalent of all Swing Loans at such time, when added to the U.S. Dollar Equivalent of all Letter of Credit Outstandings at such time, does not exceed the Total Commitment. Each Borrowing under this Section 2.1(b) shall be in a U.S. Dollar Equivalent of at least U.S. $5,000,000. Within the foregoing limits, the Borrower may borrow under this Section 2.1(b), repay or, to the extent permitted by Section 2.10, prepay Swing Loans and reborrow at any time prior to the Maturity Date.

(c) *Refunding of Swing Loans with Syndicated Loans.* Provided that no condition described in Section 3.2 was knowingly waived by the Swing Lender with respect to the making of such Swing Loan, the Swing Lender, at any time and from time to time in its sole and absolute discretion, may on behalf of the Borrower (which hereby irrevocably directs the Swing Lender to act on its behalf), on notice given by the Swing Lender no later than 10:30 A.M. (Chicago time) on the proposed date of Borrowing for the Base Rate Loans, if such Swing Loan is denominated in U.S. Dollars, or Canadian Base Rate Loans, if such Swing Loan is denominated in Canadian Dollars, referred to below, request each Bank to make, and each Bank hereby agrees to make, a Revolving Loan which shall be a Base Rate Loan or Canadian Base Rate Loan, as applicable, (a "*Refunding Swing Loan*") under Section 2.1(a) in an

amount (with respect to each Bank, its "*Swing Loan Refund Amount*") equal to such Bank's Percentage of the aggregate principal amount of such Swing Loans (the "*Refunded Swing Loans*") outstanding on the date of such notice, to repay the Swing Lender. Unless any of the events described in Section 7.1(g) or (h) with respect to the Borrower shall have occurred and be continuing or the Commitments shall have been terminated in full (in which case the procedures of Section 2.1(d) shall apply), each Bank shall make such Base Rate Loan or Canadian Base Rate Loan available to the Administrative Agent at its Payment Office in immediately available funds, not later than 12:00 Noon (Chicago time), on the date of such notice. The Administrative Agent shall pay the proceeds of such Base Rate Loans or Canadian Base Rate Loans, as applicable, to the Swing Lender, which shall immediately apply such proceeds to repay its Refunded Swing Loans. Effective on the day such Base Rate Loans or Canadian Base Rate Loans, as applicable, are made, the portion of the Swing Loans so paid shall no longer be outstanding as Swing Loans, shall no longer be due as Swing Loans under the Swing Note held by the Swing Lender, and shall be due as Base Rate Loans or Canadian Base Rate Loans, as applicable, under the respective Revolving Notes issued to the Banks (including the Swing Lender) in accordance with their respective ratable share of the Commitments. The Borrower authorizes the

Swing Lender to charge the Borrower's accounts with the Administrative Agent (up to the amount available in each such account) in order to immediately pay the amount of such Refunded Swing Loans to the extent amounts received from the Banks are not sufficient to repay in full such Refunded Swing Loans. The Swing Lender agrees to give notice to the Borrower should it decide to refund Swing Loans with Revolving Loans pursuant to this subsection 2.1(c); *provided,* that such Swing Lender's failure to give such notice (or any delay therein) does not affect the validity or the effectiveness of such Notice of Borrowing or the refunding of Swing Loans pursuant thereto.

(d) *Purchase of Participations in Swing Loans.* *Provided* that no condition described in Section 3.2 was knowingly waived by the Swing Lender with respect to the making of such Swing Loan, if prior to the time Revolving Loans would have otherwise been made pursuant to Section 2.1(c), one of the events described in Section 7.1(g) or (h) with respect to the Borrower shall have occurred and be continuing or the Commitments shall have been terminated in full, each Bank shall, on the date such Base Rate Loans or Canadian Base Rate Loans, as applicable, were to have been made pursuant to the notice referred to in Section 2.1(c) (the "*Refunding Date*"), purchase an undivided participating interest in the Swing Loans in an amount equal to such Bank's Swing Loan Refund Amount. On and after the Refunding Date, the related Swing Loan will accrue interest as though such Swing Loan were a Base Rate Loan or Canadian Base Rate Loans, as applicable. On the Refunding Date, each Bank shall transfer to the Swing Lender, in immediately available funds, such Bank's Swing Loan Refund Amount, and upon receipt thereof such Bank shall be deemed to have purchased an undivided participating interest in such Swing Loans as of such date of receipt, in the Swing Loan Refund Amount of such Bank.

(e) *Payments on Participated Swing Loans.* At any time after a Swing Lender has received from any Bank such Bank's Swing Loan Refund Amount pursuant to Section 2.1(d) and such Swing Lender receives any payment on account of the Swing Loans in which the Banks have purchased participations pursuant to Section 2.1(d), such Swing Lender will promptly distribute to each such Bank its ratable share (determined on the basis of the Swing Loan Refund Amounts of all of the Banks) of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Bank's participating interest was outstanding and funded); *provided, however*, that in the event that such payment received by such Swing Lender is required to be returned, such Bank will return to such Swing Lender any portion thereof previously distributed to it by such Swing Lender.

(f) *Obligations to Refund or Purchase Participations in Swing Loans Absolute.* Each Bank's obligation to transfer the amount of a Base Rate Loan or Canadian Base Rate Loans, as applicable, to the Swing Lender as provided in Section 2.1(c) or to purchase a participating interest pursuant to Section 2.1(d) shall be absolute and unconditional and shall not be affected by any circumstance,

including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Bank, or any other Person may have against the Swing Lender or any other Person, (ii) the occurrence or continuance of a Default or the reduction of the Commitments, (iii) any adverse change in the condition (financial or otherwise) of any Credit Party or Subsidiary of a Credit Party or any other Person, (iv) any breach of this Agreement by a Credit Party, any other Bank or any other Person or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

Section 2.2. Notice of Borrowing. (a) The Borrower shall give the Administrative Agent notice (a "*Notice of Borrowing*") in respect of the Borrowing of Loans, other than Swing Loans and Refunding Swing Loans, not later than 11:00 a.m. (Chicago, Illinois, time) on (x) the Business Day of the Borrowing if such Borrowing is to be a Base Rate Borrowing or Canadian Base Rate Borrowing and (y) the third Business Day immediately preceding the date of the Borrowing if such Borrowing is to be a Euro-Dollar Borrowing or a Euro-Canadian Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Business Day;

(ii) what Type of Loans are to be borrowed and whether the Loans comprising such Borrowing are to (i) be denominated in U.S. Dollars or Canadian Dollars, and (ii) bear interest initially at the Base Rate or a Euro-Dollar Rate in the case of a U.S. Dollar Borrowing or the Canadian Base Rate or a Euro-Canadian Dollar Rate in the case of a Canadian Dollar Borrowing;

(iii) in the case of a Euro-Dollar Borrowing or a Euro-Canadian Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period and (x) in the case of a Base Rate Borrowing, the date, if any, on which such Revolving Loan will be converted to a Euro-Dollar Loan and (y) in the case of a Canadian Base Rate Borrowing, the date, if any, on which such Loan will be converted to a Euro-Canadian Dollar Loan; and

(iv) the aggregate amount of such Borrowing.

(b) The Borrower shall give the Swing Lender a Notice of Borrowing in respect of Swing Loans not later than 1:00 P.M. (Chicago time) on the date of Borrowing of such Swing Loans (which shall be a Domestic Business Day), specifying the amount of such Borrowing.

(c) Refunding Swing Loans shall be made on the notice provided in Section 2.1(e).

Section 2.3. Notice to Banks Funding of Loans. (a) Upon receipt of a Notice of Borrowing (other than a Swing Borrowing), the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's share of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 1:30 p.m. (Chicago, Illinois time) on the date of each Borrowing, each Bank shall make available its share of such Borrowing, in funds immediately available to the Administrative Agent at its Payment Office. The Swing Lender shall make the proceeds of its Swing Loan available to the Borrower no later than 2:00 p.m. (Chicago Time) on the date requested. Unless the Administrative Agent determines that any applicable condition specified in Article 3 has not been satisfied, the Administrative Agent will make the funds so received from the Banks available to the Borrower at the aforesaid address.

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank

shall not have so made such share available to the Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the cost to the Administrative Agent of funding the amount so advanced by the Administrative Agent to fund such Bank's Loan, as determined by the Administrative Agent, and the interest rate applicable thereto pursuant to Section 2.6 and (ii) in the case of such Bank, the Federal Funds Rate, or in the case of a Loan denominated in Canadian Dollars, the cost to the Administrative Agent of funding the amount so advanced by the Administrative Agent to fund such Bank's Loan, as determined by the Administrative Agent. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

Section 2.4. Notes. (a) The Borrower's obligation to pay the principal of, and interest on, the Loans made by each Bank shall be evidenced (i) if Revolving Loans, by promissory notes duly executed and delivered by the Borrower substantially in the form of Exhibit B-1, with blanks appropriately completed (each a "*Revolving Note*" and, collectively, the "*Revolving Notes*") and (ii) if Swing Loans, by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit B-2, with blanks appropriately completed (the "*Swing Note*").

(b) Upon receipt of each Bank's Notes pursuant to Section 3.1(a), the Administrative Agent shall forward such Notes to the appropriate Bank. Each Bank shall record the date and amount of the respective Loans made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of any of its Notes, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to such Loans then outstanding under such Note; *provided*, that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Notes and to attach to and make a part of its Notes a continuation of any such schedule as and when required.

Section 2.5. Maturity of Loans. Subject to the provisions of Section 2.8 and Article 7, the Commitment shall terminate and the principal amount of all then outstanding Revolving Loans and Swing Loans, together with accrued interest thereon, shall be due and payable in full on the Maturity Date.

Section 2.6. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made (or converted pursuant to Article 9) until it becomes due, at a rate per annum equal to the Base Rate plus the Base Rate Margin for such day. Such interest shall be payable quarterly in arrears on the last day of each March, June, September, and December in each year (each, a "*Quarterly Date*") and, with respect to the principal amount of any Base Rate Loan converted to a Euro-Dollar Loan, on each date a Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% *plus* the rate otherwise applicable to Base Rate Loans for such day.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin for such day *plus* the London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, in the case of an Interest Period of six months, the date occurring three months after the first day of such Interest Period.

(c) Each Canadian Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made (or converted pursuant to Article 9) until it becomes due, at a rate per annum equal to the Canadian Base Rate plus the Canadian Base Rate Margin for such day. Such interest shall be payable quarterly in arrears on each Quarterly Date in each year and, with respect to the principal amount of any Canadian Base Rate Loan converted to a Euro-Canadian Dollar Loan, on each date a Canadian Base Rate Loan is so converted. Any overdue principal of or interest on any Canadian Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% *plus* the rate otherwise applicable to Canadian Base Rate Loans for such day.

(d) Each Euro-Canadian Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Canadian Dollar Margin for such day *plus* the London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, in the case of an Interest Period of six months, the date occurring three months after the first day of such Interest Period.

(e) Any overdue principal of, or interest on, any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the higher of (i) the sum of 2% *plus* the Euro-Dollar Margin for such day *plus* the average rate per annum (rounded upward, if necessary, to the next higher 1/100 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Business Days, then for such other period of time not longer than three months as the Administrative Agent may select) deposits in U.S. Dollars in an amount approximately equal to such overdue payment due to the Administrative Agent is offered to the Administrative Agent in the London interbank market for the applicable period determined as provided above (or, if the circumstances described in clause (a) or (b) of Section 9.1 shall exist, at a rate per annum equal to the sum of 2% *plus* the rate applicable to Base Rate Loans for such day) and (ii) the sum of 2% *plus* the Euro-Dollar Margin for such day plus the London Interbank Offered Rate applicable to such Loan at the date such payment was due.

(f) Any overdue principal of, or interest on, any Euro-Canadian Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the higher of (i) the sum of 2% *plus* the Euro-Canadian Dollar Margin for such day *plus* the average rate per annum (rounded upward, if necessary, to the next higher 1/100 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Business Days, then for such other period of time not longer than three months as the Administrative Agent may select) deposits in Cdn Dollars in an amount approximately equal to such overdue payment due to the Administrative Agent is offered to the Administrative Agent in the London interbank market for the applicable period determined as provided above (or, if the circumstances described in clause (a) or (b) of Section 9.1 shall exist, at a rate per annum equal to the sum of 2% *plus* the rate applicable to Base Rate Loans for such day) and (ii) the sum of 2% *plus* the Euro-Canadian Dollar Margin for such day plus the London Interbank Offered Rate applicable to such Loan at the date such payment was due.

(g) Each Swing Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Swing Loan is made until it becomes due, at a rate per annum equal to, if denominated in U.S. Dollars, the Base Rate and, if denominated in Canadian Dollars, the Canadian Base Rate, for such day plus the Swing Margin. Such interest shall be payable on each Quarterly Date or, if earlier, on the date such Swing Loan becomes due or its Refunding Date. Any overdue principal of or interest on any Swing Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate applicable to Swing Loans for such day.

(h) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating

Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(i) The Administrative Agent agrees to use its best efforts to furnish quotations as contemplated by this Section. If the Administrative Agent is unable to provide a quotation, the provisions of Section 9.1 shall apply.

Section 2.7. Fees. (a) During the period from and including the Effective Date to and including the date upon which the Total Commitment is terminated, the Borrower shall pay to the Administrative Agent for the account of the Banks with Commitments, ratably in proportion to their respective Commitments, a commitment fee at the rate per annum equal to the Applicable Commitment Fee Percentage on the daily amount by which the Total Commitment exceeds the aggregate Original Dollar Amount of Revolving Loans outstanding and U.S. Dollar Equivalent of the Letter of Credit Outstandings on such date. Such commitment fee shall accrue from and including the Effective Date to, but excluding the date of termination of, the Commitments in their entirety. Accrued commitment fees shall be payable quarterly in arrears on the last day of each March, June, September, and December in each year and on the date of termination of the Commitments in their entirety.

(b) The Borrower agrees to pay to the Administrative Agent for distribution to each Bank with a Commitment (based on each Bank's Percentage) a fee in respect of each Letter of Credit issued hereunder (the "*Letter of Credit Fee*"), for the period from and including the date of issuance of such Letter of Credit to and including the date of termination or expiration of such Letter of Credit, computed at a rate per annum equal to the Euro-Dollar Margin for Revolving Loans on the daily U.S. Dollar Equivalent of the Stated Amount of such Letter of Credit. Accrued Letter of Credit Fees shall be due and payable quarterly in arrears on each Quarterly Date and on the first day after the termination of the Total Commitment upon which no Letters of Credit remain outstanding.

(c) The Borrower agrees to pay to each Letter of Credit Issuer, for its own account, a fronting fee in respect of each Letter of Credit issued by such Letter of Credit Issuer (the "*Fronting Fee*"), for the period from and including the date of issuance of such Letter of Credit to and including the date of the termination of such Letter of Credit, computed at a rate equal to 1/8th of 1% per annum of the daily U.S. Dollar Equivalent of the Stated Amount of such Letter of Credit. Accrued Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and upon the first day after the termination of the Total Commitment upon which no Letters of Credit remain outstanding.

(d) The Borrower agrees to pay, upon each drawing under, issuance of, or amendment to, any Letter of Credit, such amount as shall at the time of such event be the customary scheduled administrative charge which the applicable Letter of Credit Issuer is generally imposing in connection with such occurrence with respect to letters of credit.

(e) The Borrower shall pay to the Administrative Agent such amounts as are agreed to from time to time.

Section 2.8. Termination or Reduction of Commitments.

(a) *Optional Reduction of Commitments.* The Borrower may, upon at least three Business Days' notice to the Administrative Agent, (i) terminate the Total Commitment at any time, if no Loans or Letters of Credit are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of U.S. $5,000,000 or a larger multiple of U.S. or Cdn $1,000,000 the aggregate amount of the Total Commitment in excess of the aggregate outstanding Original Dollar Amount of the Revolving Loans, and the U.S. Dollar Equivalent of the Swing Loans and Letter of Credit Outstandings. Any termination of the Total Commitments below the Letter of Credit Commitment then in effect shall reduce the Letter of Credit Commitment then in effect by like amount. Any termination of the Total Commitments to an amount less than U.S. $15,000,000 shall reduce the Swing Loan Commitment then

in effect by like amount. Upon receipt of a notice pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof.

(b) *Mandatory Reduction of Commitments*. The Total Commitment (and the respective Commitment of each Bank) shall terminate on the Maturity Date.

(c) *Pro Rata Reduction*. Each reduction to the Total Commitment pursuant to this Section 2.8 shall be applied proportionately to reduce the Commitment of each Bank.

Section 2.9. Method of Electing Interest Rates for Loans. (a) The Loans included in a Borrowing shall be the Type of Loan specified by the Borrower in the applicable Notice of Borrowing given pursuant to Section 2.2. Thereafter, the Borrower shall deliver a notice (a "*Notice of Interest Period Election*") to the Administrative Agent not later than 11:00 a.m. (Chicago, Illinois, time) on the third Business Day prior to (i) if such Borrowing was initially a Base Rate Borrowing, the commencement of the first Interest Period with respect to the conversion of such Base Rate Loan into a Euro-Dollar Loan specifying the duration of such Interest Period, (ii) if such Borrowing was initially a Canadian Base Rate Borrowing, the commencement of the first Interest Period with respect to the conversion of such Canadian Base Rate Loan into a Euro-Canadian Dollar Loan specifying the duration of such Interest Period, or (iii) at any other time, the last day of the current Interest Period specifying the duration of the additional Interest Period which is to commence. Each Interest Period specified in a Notice of Interest Period Election shall comply with the provisions of the definition of "Interest Period." Notwithstanding the foregoing, the Borrower may not elect to convert any Loan into, or continue any Loan as, a Euro-Dollar Loan or Euro-Canadian Dollar Loan pursuant to any Notice of Interest Rate Election if at the time such notice is delivered an Event of Default shall have occurred and be continuing.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Borrowing of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

(iii) if the Loans comprising such Borrowing are to be converted, the new Type of Loans and, if the Loans being converted are to be Euro-Dollar Loans or Euro-Canadian Dollar Loans, the duration of the next succeeding Interest Period applicable thereto; and

(iv) if such Loans are to be continued as Euro-Dollar Loans or Euro-Canadian Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

(c) Upon receipt of a Notice of Interest Period Election from the Borrower pursuant to subsection (a) above, the Administrative Agent shall promptly notify each Bank of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If no Notice of Interest Period Election is timely received prior to the end of an Interest Period, the Borrower shall be deemed to have elected that such Loan be continued as a Base Rate Loan or Canadian Base Rate Loan, as applicable.

(d) An election by the Borrower to change or continue the rate of interest applicable to any Borrowing of Loans pursuant to this Section shall not constitute a "Borrowing" subject to the provisions of Section 3.2.

Section 2.10. Optional Prepayments. (a) Subject, in the case of Euro- Dollar Loans and Euro-Canadian Dollar Loans, to Section 2.13, the Borrower may, upon at least one Business Day's notice to the Administrative Agent, prepay any Base Rate Loans or Canadian Base Rate Loans or, upon at least three Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Loans or Euro-Canadian Dollar Loans, in each case in whole at any time, or from time to time in part,

without premium or penalty, in amounts aggregating a U.S. Dollar Equivalent of $5,000,000 or any larger multiple of a U.S. Dollar Equivalent of $1,000,000 or Cdn $1,000,000, as applicable, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks.

(b) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank with Loans outstanding of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

(c) The Borrower may elect to utilize the option set forth in Section 2.11(c) in connection with any optional prepayment.

Section 2.11. Mandatory Prepayments. (a) *Requirements*. If on any date the sum of the aggregate outstanding Original Dollar Amount of Revolving Loans, U.S. Dollar Equivalent of Swing Loans and the U.S. Dollar Equivalent of Letter of Credit Outstandings exceeds the Total Commitment as then in effect, the Borrower shall repay on such date the principal of Swing Line Loans, and, if no Swing Loans are or remain outstanding, Revolving Loans in an aggregate amount equal to such excess. If, after giving effect to the repayment of all outstanding Swing Loans and Revolving Loans, the aggregate U.S. Dollar Equivalent of Letter of Credit Outstandings exceeds the Total Commitment, the Borrower shall pay to the Administrative Agent, for the ratable benefit of the Banks, on such date an amount in cash equal to such excess (up to the aggregate amount of the Letter of Credit Outstandings at such time) and the Administrative Agent shall hold such payment as security for the Obligations pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Administrative Agent (which shall permit certain investments in cash equivalents reasonably satisfactory to the Administrative Agent, until the proceeds are applied to the Obligations). Notwithstanding anything to the contrary contained elsewhere in this Agreement, all then outstanding Loans shall be repaid in full on the Maturity Date.

(b) *Application*. With respect to each prepayment of Revolving Loans required by Section 2.11(a), the Borrower may designate the Types of Loans which are to be prepaid and the specific Borrowing or Borrowings pursuant to which made, *provided* that (i) Euro-Dollar Loans and Euro-Canadian Dollar Loans may be so designated for prepayment pursuant to this Section 2.11 only on the last day of an Interest Period applicable thereto unless all Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, with Interest Periods ending on such date of required prepayment and all Base Rate Loans and Canadian Base Rate Loans have been paid in full; (ii) if any prepayment of Euro-Dollar Loans or Euro-Canadian Dollar Loans made pursuant to a single Borrowing shall reduce the outstanding Loans made pursuant to such Borrowing to an amount less than the U.S. Dollar Equivalent of $5,000,000, such Borrowing shall be immediately converted into Base Rate Loans or Canadian Base Rate Loan, as applicable; and (iii) each prepayment of Revolving Loans pursuant to a Borrowing shall be applied *pro rata* among such Revolving Loans. In the absence of a designation by the Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its sole discretion with a view, but no obligation, to minimize breakage costs.

(c) *Cash Collateral to Avoid Breakage*. Notwithstanding the provisions of Section 2.11(b), if at any time a mandatory or voluntary prepayment of Loans pursuant to Sections 2.10 or 2.11(a) above would result, after giving effect to the procedures set forth above, in the Borrower incurring breakage costs as a result of Euro-Dollar Loans or Euro-Canadian Dollar Loans being prepaid other than on the last day of an Interest Period applicable thereto (the "*Affected Loans*"), then the Borrower may in its sole discretion initially deposit a portion (up to 100%) of the amounts that otherwise would have been paid in respect of the Affected Loans with the Administrative Agent at its Payment Office (which deposit must be equal in amount to the amount of the Affected Loans not immediately prepaid) to be

held as security for the obligations of the Borrower hereunder pursuant to a cash collateral arrangement reasonably satisfactory to the Administrative Agent and shall provide for investments reasonably satisfactory to the Administrative Agent, with such cash collateral to be directly applied upon the first occurrence (or occurrences) thereafter of the last day of an Interest Period applicable to the relevant Loans (or such earlier date or dates as shall be requested by the Borrower), to repay an aggregate principal amount of such Loans equal to the Affected Loans not initially prepaid pursuant to this sentence. Notwithstanding anything to the contrary contained in the immediately preceding sentence, all amounts deposited as cash collateral pursuant to the immediately preceding sentence shall be held for the sole benefit of the Banks whose Loans would otherwise have been immediately prepaid with the amounts deposited and upon the taking of any action by the Administrative Agent or the Banks pursuant to the remedial provisions of Article 7, any amounts held as cash collateral pursuant to this Section 2.11(c) shall, subject to the requirements of applicable law, be immediately applied to repay such Loans.

Section 2.12. General Provisions as to Payments. (a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder (i) not later than 12:00 Noon (Chicago time) on the date when due, in immediately available funds, to the Administrative Agent at its Payment Office, and (ii) without any right to set-off, deduction or counterclaim by the Borrower. All payments made hereunder shall be made (i) in the case of Obligations denominated in U.S. Dollars, in U.S. Dollars in immediately available funds at the place of payment, or (ii) in the case of Obligations denominated in Canadian Dollars, in Canadian Dollars in immediately available funds at the place of payment. The Administrative Agent will promptly distribute to each Bank its ratable share of each such payment received by the Administrative Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Base Rate Loans, Canadian Base Rate Loans or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of

principal of, or interest on, the Euro-Dollar Loans or Euro-Canadian Dollar Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate, in the case of U.S. Dollar Loans, or the CDOR Rate, in the case of Canadian Dollar Loans.

Section 2.13. Funding Losses. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan or Euro-Canadian Dollar Loan or any Euro-Dollar Loan or Euro-Canadian Dollar Loan is prepaid, converted or becomes due (pursuant to Article 2, 7, or 9 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or if the Borrower fails to borrow, prepay or continue any Euro-Dollar Loans or Euro-Canadian Dollar Loans after notice has been given to any Bank in accordance with Section 2.2, 2.9, or 2.10, the Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the

period after any such payment or conversion or failure to borrow, prepay, convert or continue, *provided* that such Bank shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.14. Computation of Interest and Fees. (a) Interest based on the Prime Rate or Canadian Base Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day if and only if such payment is made in accordance with the provisions of the first sentence of Section 2.12(a)).

(b) For purposes of the Interest Act (Canada), (i) whenever any interest or fee under this Agreement is calculated using a rate based on a year of 360 days or 365 days, as the case may be, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on a year of 360 or 365 days, as the case may be, (y) multiplied by the actual number of days in the relevant year of calculation and (z) divided by 360 or 365, as the case may be, (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement, and (iii) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

Section 2.15. Increase in Commitment. Provided there exists no Default, the Borrower on behalf of the Borrower and Guarantors may, on any Business Day after the date hereof, without the consent of any Bank but with the written consent of the Administrative Agent, each Letter of Credit Issuer and the Swing Lender (which consents shall not be unreasonably withheld or delayed), increase the aggregate amount of the Commitments by delivering a Commitment Amount Increase Request at least five (5) Business Days prior to the desired effective date of such increase (the "*Commitment Amount Increase*") identifying an additional Bank (or additional Commitment agreed to be made by any existing Bank) and the amount of its Commitment (or additional amount of its Commitment); *provided, however,* that any increase in the aggregate amount of the Commitments when added to the "*Commitments*" under the US Credit Agreements to an amount in excess of U.S. $450,000,000 will require the approval of the Required Banks; *provided further* that prior to approaching an additional Bank, the Borrower shall have offered to the existing Banks the opportunity to increase their respective Commitments. The effective date of the Commitment Amount Increase shall be agreed upon by the Borrower and the Administrative Agent. Upon the effectiveness thereof, each new Bank (or, if applicable, each existing Bank which consented to an increase in its Commitment) shall advance Loans in an amount sufficient such that after giving effect to its Loan each Bank shall have outstanding its *pro rata* share of Loans. It shall be a condition to such effectiveness that no Euro-Canadian Dollar Loans be outstanding on the date of such effectiveness and that the Borrower shall not have terminated any portion of the Commitment pursuant to Section 2.8 hereof. The Borrower agrees to pay any out-of-pocket expenses of the Administrative Agent relating to any Commitment Amount Increase. Notwithstanding anything herein to the contrary, no Bank shall have any obligation to increase its Commitment and no Bank's Commitment shall be increased without its consent thereto, and each Bank may at its option, unconditionally and without cause, decline to increase its Commitment.

ARTICLE 2A

LETTERS OF CREDIT

Section 2A.1. Letters of Credit. (a) Subject to and upon the terms and conditions set forth herein, the Borrower may request a Letter of Credit Issuer at any time and from time to time on or after the Effective Date and prior to the tenth Business Day immediately preceding the Maturity Date to issue a standby letter of credit for the account of the Borrower in support of L/C Supportable Obligations (each such letter of credit, a "*Letter of Credit*" and, collectively, the "*Letters of Credit*"), and

subject to and upon the terms and conditions set forth herein such Letter of Credit Issuer agrees to issue from time to time, irrevocable Letters of Credit in such form as may be approved by such Letter of Credit Issuer and the Administrative Agent. Notwithstanding the foregoing, no Letter of Credit Issuer shall be under any obligation to issue any Letter of Credit if at the time of such issuance:

(i) any order, judgment or decree of any governmental authority or arbitrator shall purport by its terms to enjoin or restrain such Letter of Credit Issuer from issuing such Letter of Credit or any requirement of law applicable to such Letter of Credit Issuer or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over such Letter of Credit Issuer shall prohibit, or request that such Letter of Credit Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Letter of Credit Issuer with respect to such Letter of Credit any restriction or reserve or capital requirement (for which such Letter of Credit Issuer is not otherwise compensated) not in effect on the Effective Date, or any unreimbursed loss, cost or expense which was not applicable, in effect or known to such Letter of Credit Issuer as of the Effective Date and which such Letter of Credit Issuer in good faith deems material to it;

(ii) such Letter of Credit Issuer shall have received notice from the Borrower or the Required Banks prior to the issuance of such Letter of Credit of the type described in clause (v) of Section 2A.1(b); or

(iii) the Administrative Agent or such Letter of Credit Issuer has received notice from any Bank that it does not intend to participate in such Letter of Credit pursuant to Section 2A.5, or any Bank has failed to participate in any Letter of Credit issued hereunder, unless the Borrower and such Letter of Credit Issuer shall have entered into arrangements reasonably satisfactory to such Letter of Credit Issuer to eliminate the risk of such Bank's failure to participate in Letters of Credit (including cash collateralizing the amount of such Bank's obligation).

(b) Notwithstanding the foregoing, (i) no Letter of Credit shall be issued, the U.S. Dollar Equivalent of the Stated Amount of which, when added to the U.S. Dollar Equivalent of the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid on the date of, and prior to the issuance of, the respective Letter of Credit) at such time, would exceed either (x) the Letter of Credit Commitment or (y) when added to the aggregate Original Dollar Amount of all Revolving Loans and U.S. Dollar Equivalent of the Swing Loans then outstanding, the Total Commitment at such time; (ii) each Letter of Credit shall have an expiry date occurring not later than one year after such Letter of Credit's date of issuance (although any Letter of Credit may be extendible (whether automatically or otherwise) for successive periods of up to 12 months, but not beyond the tenth Business Day preceding the Maturity Date), on terms reasonably acceptable to the respective Letter of Credit Issuer and in no event shall any Letter of Credit have an expiry date occurring later than the tenth Business Day preceding the Maturity Date; (iii) each Letter of Credit shall be denominated in U.S. Dollars or Canadian Dollars; (iv) each Letter of Credit shall be payable only on a sight basis and upon conditions, if any, set forth therein; and (v) no Letter of Credit Issuer shall issue any Letter of Credit after it has received written notice from the Borrower or the Required Banks that a Default exists until such time as such Letter of Credit Issuer shall have received written notice of (x) rescission of such notice from the party or parties originally delivering the same or (y) waiver of such Default by the Required Banks.

(c) Upon the occurrence of an event giving rise to the operation of Section 2A.1(a)(iii), the Borrower shall have the right, if no Default then exists, to replace such Bank (the "*Replaced Bank*") with one or more other Eligible Transferees (it being acknowledged that the Replaced Bank shall be under no obligation to identify or secure the commitment of such Eligible Transferee or assist in identifying or securing the commitment of such Eligible Transferee), each of whom shall be reasonably acceptable to the Administrative Agent (collectively, the "*Replacement Bank*"), *provided* that (i) at the time of any replacement pursuant to this Section 2A.1(c), the Replacement Bank shall enter into one

or more Assignment and Assumption Agreements pursuant to Section 11.6(c) (and with all fees payable pursuant to Section 11.6(c) to be paid by the Replacement Bank) pursuant to which the Replacement Bank shall acquire all of the Commitments and outstanding Loans of, and participations in Letters of Credit by, the Replaced Bank and, in connection therewith, shall pay to (x) the Replaced Bank in respect thereof an amount equal to the sum of (I) the principal of, and all accrued interest on, all outstanding Loans of the Replaced Bank, (II) all Unpaid Drawings that have been funded by (and not reimbursed to) such Replaced Bank, together with all then unpaid interest with respect thereto at such time and (III) all accrued, but theretofore unpaid, fees to the Replaced Bank, (y) each Letter of Credit Issuer an amount equal to such Replaced Bank's Percentage of any Unpaid Drawing (which at such time remains an Unpaid Drawing) to the extent such amount was not theretofore funded by such Replaced Bank to such Letter of Credit Issuer and (z) the Swing Lender an amount equal to such Replaced Bank's Percentage of any Swing Loan to the extent such amount was required to be but not theretofore funded by such Replaced Bank, and (ii) all obligations of the Borrower due and owing to the Replaced Bank at such time (other than those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being paid) shall be paid in full to such Replaced Bank concurrently with such replacement. Upon the execution of the respective Assignment and Assumption Agreement, the payments of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Bank, delivery to the Replacement Bank of the appropriate Note or Notes executed by the Borrower, (i) the Replacement Bank shall become a Bank hereunder and the Replaced Bank shall cease to constitute a Bank hereunder, except with respect to indemnification provisions under this Agreement, which shall survive as to such Replaced Bank and (ii) the Percentages of the Banks shall be automatically adjusted at such time to give effect to such replacement. Replacements pursuant to this Section 2A.1(c) shall only be effected by assignments which otherwise meet the applicable requirements of Section 11.6(c).

Section 2A.2. Minimum Stated Amount. The initial Stated Amount of each Letter of Credit shall be not less than the U.S. Dollar Equivalent of $100,000 or such lesser amount as shall be reasonably acceptable to the respective Letter of Credit Issuer.

Section 2A.3. Letter of Credit Requests; Notices of Issuance; Reports. (a) Whenever the Borrower desires that a Letter of Credit be issued, the Borrower shall give the Administrative Agent and the respective Letter of Credit Issuer a written request (including by way of telecopier) prior to 12:00 P.M. (Chicago time) at least three Business Days (or such shorter period as may be acceptable to such Letter of Credit Issuer) prior to the proposed date (which shall be a Business Day) of issuance (each a "*Letter of Credit Request*"), which Letter of Credit Request shall include any other documents that such Letter of Credit Issuer customarily requires in connection therewith.

(b) The respective Letter of Credit Issuer shall, promptly after each issuance of a Letter of Credit by it, give the Administrative Agent, each Bank and the Borrower written notice of the issuance of such Letter of Credit, accompanied, if requested, by a copy of the Letter of Credit or Letters of Credit issued by it.

Section 2A.4. Agreement to Repay Letter of Credit Drawings. (a) The Borrower hereby agrees to reimburse the respective Letter of Credit Issuer, by making payment to the Administrative Agent at the Payment Office (which funds the Administrative Agent shall promptly forward to such Letter of Credit Issuer), for any payment or disbursement made by such Letter of Credit Issuer under any Letter of Credit issued by it (each such amount so paid or disbursed until reimbursed, an "*Unpaid Drawing*") immediately after, and in any event on the date on which, the Borrower is notified by such Letter of Credit Issuer of such payment or disbursement with interest on the amount so paid or disbursed by such Letter of Credit Issuer, to the extent not reimbursed prior to 12:00 P.M. (Chicago time) on the date of such payment or disbursement, from and including the date paid or disbursed to but not including the date such Unpaid Drawing is paid by the Borrower at a rate per annum which shall be the interest rate applicable to Revolving Loans maintained as Base Rate Loans, if such Letter of Credit

is denominated in U.S. Dollars, or Canadian Base Rate Loans, if such Letter of Credit is denominated in Canadian Dollars, as in effect from time to time (plus an additional 2% per annum if not reimbursed by the third Business Day after the date of such notice of payment or disbursement), such interest also to be payable on demand. Each Letter of Credit Issuer shall provide the Borrower prompt notice of any payment or disbursement made by it under any Letter of Credit issued by it, although the failure of, or delay in, giving any such notice shall not release or diminish the obligations of the Borrower under this Section 2A.4(a) or under any other Section of this Agreement.

(b) The Borrower's obligation under this Section 2A.4 to reimburse the respective Letter of Credit Issuer with respect to Unpaid Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against such Letter of Credit Issuer, the Administrative Agent or any Bank, including, without limitation, any defense based upon the failure of any payment under a Letter of Credit to conform to the terms of the Letter of Credit or any non-application or misapplication by the beneficiary of the proceeds of such payment; *provided, however,* that the Borrower shall not be obligated to reimburse any Letter of Credit Issuer for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence (as determined by a court of competent jurisdiction) on the part of such Letter of Credit Issuer.

Section 2A.5. Letter of Credit Participations. (a) Immediately upon the issuance by any Letter of Credit Issuer of a Letter of Credit, such Letter of Credit Issuer shall be deemed to have sold and transferred to each other Bank with a Commitment, and each such Bank (each an "*L/C Participant*") shall be deemed irrevocably and unconditionally to have purchased and received from such Letter of Credit Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Bank's Percentage, in such Letter of Credit, each substitute letter of credit, each payment made thereunder and the obligations of the Borrower under this Agreement with respect thereto (although the Letter of Credit Fee shall be payable directly to the Administrative Agent for the account of the Banks as provided in Section 2.7(c) and the L/C Participants shall have no right to receive any portion of any Fronting Fees) and any security therefor or guaranty pertaining thereto. Upon any change in the Commitments or Percentages of the Banks pursuant to Section 11.6(c), it is hereby agreed that, with respect to all outstanding Letters of Credit and Unpaid Drawings, there shall be an automatic adjustment to the participations pursuant to this Section 2A.5 to reflect the new Percentages of the assigning and assignee Bank or of all Banks, as the case may be.

(b) In determining whether to pay under any Letter of Credit, the respective Letter of Credit Issuer shall not have any obligation relative to the L/C Participants other than to determine that any documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by any Letter of Credit Issuer under or in connection with any Letter of Credit if taken or omitted in the absence of gross negligence or willful misconduct (as determined by a court of competent jurisdiction) shall not create for such Letter of Credit Issuer any resulting liability.

(c) In the event that the respective Letter of Credit Issuer makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to such Letter of Credit Issuer pursuant to Section 2A.4(a), such Letter of Credit Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each L/C Participant of such failure, and each L/C Participant shall promptly and unconditionally pay to the Administrative Agent for the account of such Letter of Credit Issuer, the amount of such L/C Participant's Percentage of such payment in the currency of such payment and in same day funds; *provided, however,* that no L/C Participant shall be obligated to pay to the Administrative Agent its Percentage of such unreimbursed amount for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence (as determined by a court

of competent jurisdiction) on the part of such Letter of Credit Issuer. If the Administrative Agent so notifies any L/C Participant required to fund an Unpaid Drawing under a Letter of Credit prior to 11:00 A.M. (Chicago time) on any Business Day, such L/C Participant shall make available to the Administrative Agent for the account of the respective Letter of Credit Issuer (which funds the Administrative Agent shall promptly forward to the Letter of Credit Issuer) such Participant's Percentage of the amount of such payment on such Business Day in same day funds. If and to the extent such L/C Participant shall not have so made its Percentage of the amount of such Unpaid Drawing available to the Administrative Agent for the account of such Letter of Credit Issuer, such L/C Participant agrees to pay to the Administrative Agent for the account of such Letter of Credit Issuer, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent for the account of such Letter of Credit Issuer at the cost to the Administrative Agent of funding the amount so advanced by the Administrative Agent to fund such Bank's amount, as determined by the Administrative Agent. The failure of any L/C Participant to make available to the Administrative Agent for the account of the respective Letter of Credit Issuer its Percentage of any Unpaid Drawing under any Letter of Credit shall not relieve any other L/C Participant of its obligation hereunder to make available to the Administrative Agent for the account of the respective Letter of Credit Issuer its Percentage of any payment under any Letter of Credit on the date required, as specified above, but no L/C Participant shall be responsible for the failure of any other L/C Participant to make available to the Administrative Agent for the account of such Letter of Credit Issuer such other L/C Participant's Percentage of any such payment.

(d) Whenever the respective Letter of Credit Issuer receives a payment of a reimbursement obligation as to which the Administrative Agent has received for the account of such Letter of Credit Issuer any payments from the L/C Participants pursuant to clause (c) above, such Letter of Credit Issuer shall pay to the Administrative Agent and the Administrative Agent shall promptly pay to each L/C Participant which has paid its Percentage thereof, in the applicable currency, and in same day funds, an amount equal to such L/C Participant's Percentage of the principal amount thereof and interest thereon accruing at the Federal Funds Rate, in the case of U.S. Dollars, or at the cost to the Administrative Agent of funding the amount so advanced by the Administrative Agent to fund such amount, as determined by the Administrative Agent after the purchase of the respective participations, in the case of Canadian Dollars.

(e) The obligations of the L/C Participants to make payments to the Administrative Agent for the account of the respective Letter of Credit Issuer with respect to Letters of Credit shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever (*provided* that no L/C Participant shall be required to make payments resulting from the Letter of Credit Issuer's gross negligence or willful misconduct (as determined by a court of competent jurisdiction)) and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off, defense or other right which the Borrower or any of it Subsidiaries may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, the respective Letter of Credit Issuer, any Bank or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrower or any of its Subsidiaries and the beneficiary named in any such Letter of Credit);

(iii) any draft, certificate or other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents; or

(v) the occurrence of any Default.

(f) To the extent the respective Letter of Credit Issuer is not indemnified for same by the Borrower, the L/C Participants will reimburse and indemnify the Letter of Credit Issuer, in proportion to their respective Percentages, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by such Letter of Credit Issuer in performing its respective duties in any way relating to or arising out of its issuance of Letters of Credit; *provided* that no L/C Participant shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Letter of Credit Issuer's gross negligence or willful misconduct (as determined by a court of competent jurisdiction).

Section 2A.6. Increased Costs. If at any time after the Effective Date, the adoption or effectiveness of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the respective Letter of Credit Issuer or any Bank with any request or directive (whether or not having the force of law) by any such authority, central bank or comparable agency shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against Letters of Credit issued by such Letter of Credit Issuer or such Bank's participation therein, or (ii) shall impose on such Letter of Credit Issuer or any Bank any other conditions affecting this Agreement, any Letter of Credit or such Bank's participation therein; and the result of any of the foregoing is to increase the cost to such Letter of Credit Issuer or such Bank of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Letter of Credit Issuer or such Bank hereunder (other than any increased cost or reduction in the amount received or receivable resulting from the imposition of or a change in the rate of taxes or similar charges), then, upon demand to the Borrower by such Letter of Credit Issuer or such Bank (a copy of which notice shall be sent by such Letter of Credit Issuer or such Bank to the Administrative Agent), the Borrower shall pay to such Letter of Credit Issuer or such Bank such additional amount or amounts as will compensate such Letter of Credit Issuer or such Bank for such increased cost or reduction. A certificate submitted to the Borrower by the respective Letter of Credit Issuer or such Bank, as the case may be (a copy of which certificate shall be sent by such Letter of Credit Issuer or such Bank to the Administrative Agent) setting forth the basis for the determination of such additional amount or amounts necessary to compensate such Letter of Credit Issuer or such Bank shall be conclusive and binding on the Borrower absent manifest error, although the failure to deliver any such certificate shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section 2A.6 upon the subsequent receipt thereof. The Borrower's obligations under this Section are limited as set forth in Section 9.6.

ARTICLE 3

CONDITIONS

Section 3.1. Initial Borrowing. The obligations of the Banks to make the initial Loans hereunder and of any Letter of Credit Issuer to issue the initial Letter of Credit hereunder are subject to receipt by the Administrative Agent of the following documents:

(a) opinions of counsel for the Credit Parties in a form reasonably acceptable to the Administrative Agent and covering such matters relating to the transactions contemplated hereby as the Administrative Agent or the Required Banks may reasonably request;

(b) all documents the Administrative Agent may reasonably request relating to the corporate authority of each Credit Party which is a party hereto or any other Credit Document and the validity of this Agreement and each other Credit Document, all in form and substance reasonably satisfactory to the Administrative Agent;

(c) copies of this Agreement executed by the Borrower, each Guarantor and each of the Banks, and copies of the Notes executed by the Borrower in favor of each of the Banks;

(d) all filings (including, without limitation, pursuant to the Uniform Commercial Code and the PPSA) and recordings shall have been accomplished with respect to the Pledge Agreements in such jurisdictions as may be required by law to establish, perfect, protect and preserve the rights, titles, interests, remedies, powers, privileges, liens and security interests of the Collateral Agent in the Collateral covered by the Pledge Agreements and any giving of notice or the taking of any other action to such end (whether similar or dissimilar) required by law shall have been given or taken. On or prior to the Effective Date, the Collateral Agent shall have received satisfactory evidence as to any such filing, recording, registration, giving of notice or other action so taken or made; and the Banks and the holders of the loans and letters of credit outstanding under US Credit Agreements shall have entered into the Intercreditor Agreement, which shall be acknowledged and consented to by each of the Credit Parties party to the Pledge Agreements;

(e) the Administrative Agent shall have received fully executed copies of the License Agreements;

(f) the Administrative Agent shall have received a fully executed copy of the WCAS Subordinated Note;

(g) the Administrative Agent shall have received insurance certificates complying with the requirements of Section 6.3 for the business and properties of the Borrower and its Subsidiaries; and

(h) the Administrative Agent shall have received documentation, in form and substance reasonably acceptable to the Administrative Agent, evidencing the termination of the Existing Credit Facilities, the repayment of all obligations owing thereunder and the release of all Liens granted in connection therewith.

The Administrative Agent shall promptly notify the Borrower and the Banks of the satisfaction of the conditions set forth in this Section 3.1, and such notice shall be conclusive and binding on all parties hereto.

Section 3.2. Each Borrowing. The obligation of the Banks to make each Loan hereunder and of any Letter of Credit Issuer to issue or amend each Letter of Credit is subject at the time of such Loan or issuance or amendment of such Letter of Credit to the satisfaction of the following conditions:

(a) the satisfaction of the conditions set forth in Section 3.1;

(b) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.2;

(c) the fact that, immediately after any Borrowing of Loans, the aggregate amount of all Loans made hereunder plus the Letter of Credit Outstandings will not exceed the Total Commitments in effect;

(d) the fact that, immediately before and after such Borrowing, no Default shall have occurred and be continuing;

(e) the fact that the representations and warranties of the Credit Parties contained in this Agreement shall be true and correct in all material respects on and as of the date of such Borrowing;

(f) none of the Banks nor the Administrative Agent shall have received any order or demand in respect of the Borrower under Section 224(1.1) of the Income Tax Act (Canada) or similar federal or provincial statute;

(g) with respect to the transactions contemplated by the Credit Agreement and the Pledge Agreements, each Credit Party shall have obtained any necessary consents, waivers, approvals, authorizations, registrations, filings, licenses and notifications (including, if necessary, qualifying to do business in, and qualifying under the applicable consumer laws of, each jurisdiction where the applicable party is then doing business, or is in the process of obtaining such qualification in each jurisdiction where the applicable party is expected to be doing business utilizing the proceeds of such Loan) and the same shall be in full force and effect, except where the failure to obtain such consent, qualification or other item could not reasonably be expected to have a material adverse effect on the Borrower and its Subsidiaries, taken as a whole; and

(h) the Pledge Agreements shall be in full force and effect, the Collateral Agent shall have a first priority perfected security interest in all assets of ADSC and its Subsidiaries purported to be covered thereby (subject to the exceptions set forth therein and in Sections 6.18 and 10.1(a) of the U.S. Credit Agreements), and all filings (including, without limitation, pursuant to the Uniform Commercial Code or foreign equivalent) and recordings shall have been accomplished with respect to the Pledge Agreements in such jurisdictions as may be required by law to establish, perfect, protect and preserve the rights, titles, interests, remedies, powers, privileges, liens and security interests of the Collateral Agent in the collateral purposed to be covered thereby and any giving of notice or the taking of any other action to such end (whether similar or dissimilar) required by law shall have been given or taken. The Administrative Agent and the Collateral Agent shall have received satisfactory evidence as to any such filing, recording, registration, giving of notice or other action so taken or made.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (c), (d), (e), (g) and (h) of this Section.

No Bank shall have any obligation to make a Loan hereunder and no Letter of Credit Issuer shall have any obligation to issue a Letter of Credit hereunder at any time unless all conditions precedent have been satisfied before or at such time. The conditions precedent are included for the exclusive benefit of the Administrative Agent and the Banks. In the event that any one more Banks makes available a Loan or any one or more Letter of Credit Issuers issues a Letter of Credit at the request of the Borrower notwithstanding that any one or more of the conditions precedent thereto have not been satisfied in whole or in part, such waiver shall not operate as to waive the right of the Administrative Agent, the Banks and the Letter of Credit Issuers to require strict compliance thereafter.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

Each of ADSC and the Borrower represents and warrants that:

Section 4.1. Existence and Power. Each Credit Party is a corporation, limited liability company, partnership or other organization, duly organized and validly existing and, where applicable, in good standing under the laws of the jurisdiction of its organization, and has all corporate or other powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 4.2. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by each Credit Party of the Credit Documents to which it is a party are within the corporate or other powers of such Credit Party, have been duly authorized by all necessary

corporate or other action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of association, the organizational certificate, bylaws or other constitutional documents, as applicable, of such Credit Party or of any agreement, judgment, injunction, order, decree or other instrument binding upon ADSC or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of ADSC or any of its Subsidiaries (other than Liens granted pursuant to the Credit Documents). Neither ADSC (or any of its directors or officers) nor any Insured Subsidiary (or any of its directors or officers) is a party to, or subject to, any agreement with, or directive or order issued by, any federal or state bank or thrift regulatory authority which imposes restrictions or requirements on it which are not generally applicable to banks or thrifts; and no action or administrative proceeding is pending or, to ADSC's knowledge, threatened against ADSC or any Insured Subsidiary or any of their directors or officers which seeks to impose any such restriction or requirement.

Section 4.3. Binding Effect. This Agreement and the other Credit Documents constitute valid and binding agreements of ADSC and each other Credit Party which is a party thereto, and each Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms.

Section 4.4. Financial Information. (a) The consolidated balance sheet of ADSC and its Consolidated Subsidiaries as of December 31, 2002, and the related consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, reported on by Deloitte & Touche LLP, a copy of which has been delivered to each of the Banks, fairly present in all material respects the consolidated financial position of ADSC and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Since December 31, 2002, there has been no material adverse change in the business, financial position, results of operations or prospects of ADSC and its Consolidated Subsidiaries, considered as a whole.

(c) On and as of the Effective Date, (a) the sum of the assets, at a fair valuation, of ADSC on a stand alone basis and of ADSC and its Subsidiaries taken as a whole will exceed its debts; (b) ADSC on a stand alone basis and ADSC and its Subsidiaries taken as a whole has not incurred and does not intend to incur debts beyond their ability to pay such debts as such debts mature; and (c) ADSC on a stand alone basis and ADSC and its Subsidiaries taken as a whole will have sufficient capital with which to conduct its business. For purposes of this Section 4.4(c), "debt" means any liability on a claim, and "claim" means (i) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

(d) Except as fully disclosed in the financial statements delivered pursuant to Section 4.4(a) there were as of the Effective Date no liabilities or obligations with respect to ADSC or any of its Subsidiaries of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in aggregate, could reasonably be expected to have a material and adverse effect on ADSC or ADSC and its Subsidiaries taken as a whole. As of the Effective Date, ADSC knows of no basis for the assertion against it or any of its Subsidiaries of any liability or obligation of any nature whatsoever that is not fully disclosed in the financial statements delivered pursuant to Section 4.4(a) which, either individually or in the aggregate, could reasonably be expected to be material to ADSC or ADSC and its Subsidiaries taken as a whole.

Section 4.5. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of ADSC threatened against or affecting, ADSC or any of its Subsidiaries before any court

or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of ADSC and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity or enforceability of any Credit Document.

Section 4.6. Compliance with ERISA. To the best of ADSC's knowledge after reasonable investigation: (a) Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

(b) Each Foreign Pension Plan has been maintained in substantial compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with applicable regulatory authorities. All material contributions required to be made with respect to a Foreign Pension Plan have been timely made. Neither ADSC nor any of its Subsidiaries has incurred any material obligation in connection with the termination of or withdrawal from any Foreign Pension Plan. ADSC and its Subsidiaries do not maintain or contribute to any Foreign Pension Plan the obligations with respect to which could reasonably be expected to have a material adverse effect on the ability of ADSC or ADSC and its Subsidiaries taken as a whole to perform their obligations under the Credit Documents.

Section 4.7. Environmental Matters. To the best of ADSC's knowledge after reasonable investigation: Each of ADSC and its Subsidiaries has obtained all material environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted. Each of such permits, licenses and authorizations is in full force and effect and ADSC and its Subsidiaries is in material compliance with the terms and conditions thereof, and is also in material compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder. In addition, no notice, notification, demand, request for information, citations, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by ADSC or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of ADSC or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any release of any Hazardous Substance generated or handled by ADSC or any of its Subsidiaries. There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of ADSC or any of its Subsidiaries in relation to any site or facility now or previously owned, operated or leased by ADSC or any of its Subsidiaries which have not been made available to the Administrative Agent and the Banks.

Section 4.8. Taxes. ADSC and its Subsidiaries have filed all United States Federal and Canadian income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by ADSC or any Subsidiary. The charges, accruals and reserves on the books of ADSC and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of ADSC, adequate.

Section 4.9. Subsidiaries. Each of ADSC's corporate Subsidiaries, if any, is a corporation duly incorporated, validly existing and, where applicable, in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 4.10. Regulatory Restrictions on Borrowing. ADSC is not an "investment company" within the meaning of the U.S. Investment Company Act of 1940, as amended, a "holding company" within the meaning of the U.S. Public Utility Holding Company Act of 1935, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

Section 4.11. Full Disclosure. All information heretofore furnished by ADSC to the Administrative Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by ADSC to the Administrative Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. ADSC has disclosed to the Banks in writing any and all facts which

materially and adversely affect or may affect (to the extent ADSC can now reasonably foresee), the business, operations or financial condition of ADSC and its Consolidated Subsidiaries, taken as a whole, or the ability of ADSC to perform its obligations under this Agreement or the other Credit Documents.

Section 4.12. Intellectual Property. ADSC and its Subsidiaries own or have the exclusive right in the United States and Canada to use and to license the patents, trade names, registered or unregistered trademarks, registered or unregistered service marks, and registered copyrights, all pending applications therefor and all know-how required to operate their respective businesses (collectively, the "*Intellectual Property*"), and, to the extent ADSC deems such registration or filing necessary or appropriate, each item constituting part of the Intellectual Property has been duly registered with, filed with or issued by, as the case may be, the appropriate authorities in the United States and Canada and, to the knowledge of the Credit Parties, such registrations, filings and issuances remain in full force and effect. To the knowledge of the Credit Parties, there are no infringements of any proprietary rights (including, without limitation, the Intellectual Property, the License Agreements and any inventions and know-how owned or licensed by ADSC or its Subsidiaries) owned or licensed by ADSC or its Subsidiaries which could reasonably be expected to have a material adverse effect on the business, property, assets, liabilities, condition (financial or otherwise) or prospects of ADSC taken individually or ADSC and its Subsidiaries, taken as a whole. To the knowledge of the Credit Parties, the trademarks, service marks and trade names owned or licensed by ADSC or its Subsidiaries are enforceable by such entities and all patents (if any) comprising the Intellectual Property are believed valid and enforceable by the Credit Parties. No consent of third parties will be required for the use of any Intellectual Property as a consequence of the consummation of the transactions contemplated hereby. To the knowledge of any Credit Party, (i) no claims are currently being asserted by any Person to the use of any of the Intellectual Property or challenging or questioning the validity or effectiveness of any License Agreement, and the use of the Intellectual Property by ADSC or any of its Subsidiaries does not infringe on the rights of any Person and no suits or proceedings are pending or threatened against the Seller, ADSC or any of their respective Subsidiaries with respect to the foregoing; and (ii) no claims are currently being asserted, and no conditions exist upon which such claims could be based, that ADSC or any of its Subsidiaries is in default or is not in full compliance with any License Agreement.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF EACH CREDIT PARTY

Each Credit Party represents and warrants for itself that:

Section 5.1. Existence and Power. The applicable Credit Party is a corporation, limited liability company or partnership duly organized, validly existing and in good standing under the laws of the

jurisdiction of its organization, and has all corporate or other powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 5.2. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the applicable Credit Party of this Agreement and each other Credit Document to which it is a party is within the corporate or other powers of the applicable Credit Party, have been duly authorized by all necessary corporate or other action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation, by-laws or other constitutional documents, as applicable, of the Credit Party or of any agreement, judgment, injunction, order, decree or other instrument binding upon the applicable Credit Party or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the applicable Credit Party or any of its Subsidiaries (other than Liens granted pursuant to the Credit Documents).

Section 5.3. Binding Effect. This Agreement and each other Credit Document to which it is a party constitutes a valid and binding agreement of the applicable Credit Party enforceable in accordance with its terms.

Section 5.4. Financial Information. (a) The consolidated balance sheets of the applicable Credit Party and its Consolidated Subsidiaries as of December 31, 2002, and the related unaudited consolidated statements of income, changes in common stockholders' equity and cash flows for the fiscal year then ended, a copy of which has been delivered to each of the Banks, fairly present in all material respects the consolidated financial position of the applicable Credit Party and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Since December 31, 2002, there has been no material adverse change in the business, financial position, results of operations or prospects of the applicable Credit Party and its Consolidated Subsidiaries, considered as a whole.

Section 5.5. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the applicable Credit Party threatened against or affecting, the applicable Credit Party or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the applicable Credit Party and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity or enforceability of this Agreement or the Notes.

Section 5.6. Compliance with ERISA. To the best of the applicable Credit Party's knowledge after reasonable investigation: Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.7. Environmental Matters. To the best of the applicable Credit Party's knowledge after reasonable investigation: Each of the applicable Credit Party and its Subsidiaries has obtained all material environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry

on its business as now being or as proposed to be conducted. Each of such permits, licenses and authorizations is in full force and effect and each of the applicable Credit Party and its Subsidiaries is in material compliance with the terms and conditions thereof, and is also in

material compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder. In addition, no notice, notification, demand, request for information, citations, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the applicable Credit Party or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of the applicable Credit Party or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any release of any Hazardous Substance generated or handled by the applicable Credit Party or any of its Subsidiaries. There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of the applicable Credit Party or any of its Subsidiaries in relation to any site or facility now or previously owned, operated or leased by the applicable Credit Party or any of its Subsidiaries which have not been made available to the Administrative Agent and the Banks.

Section 5.8. Taxes. The applicable Credit Party and its Subsidiaries have filed all United States Federal or Canadian income tax returns, as applicable, and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the applicable Credit Party or any Subsidiary. The charges, accruals and reserves on the books of the applicable Credit Party and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the applicable Credit Party, adequate.

Section 5.9. Subsidiaries. Each of the applicable Credit Party's corporate Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 5.10. Regulatory Restrictions on Borrowing. The applicable Credit Party is not an "investment company" within the meaning of the U.S. Investment Company Act of 1940, as amended, a "holding company" within the meaning of the U.S. Public Utility Holding Company Act of 1935, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

Section 5.11. Full Disclosure. All information heretofore furnished by the applicable Credit Party to the Administrative Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the applicable Credit Party to the Administrative Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. The applicable Credit Party has disclosed to the Banks in writing any and all facts which materially and adversely affect or may affect (to the extent the applicable Credit Party can now reasonably foresee), the business, operations or financial condition of the applicable Credit Party and its Consolidated Subsidiaries, taken as a whole, or the ability of the applicable Credit Party to perform its obligations under this Agreement.

ARTICLE 6

COVENANTS

ADSC, the Borrower and each Guarantor, as the case may be, agree that, so long as any Bank has any Commitment hereunder or any amount payable hereunder or under any Note remains unpaid:

Section 6.1. Information. ADSC will deliver to each of the Banks:

(a) as soon as available and in any event within 90 days after the end of each (i) fiscal year of ADSC, the consolidated balance sheet of ADSC and its Consolidated Subsidiaries as of the end

of such fiscal year and the related consolidated statements of income, cash flows, and changes in common stockholders' equity, each for such fiscal year, and (ii) fiscal year of WFNNB, the consolidated balance sheet of WFNNB and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows, and changes in common stockholders' equity, each for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year and certified by Deloitte & Touche LLP or another independent public accounting firm of nationally recognized standing;

(b) as soon as available and in any event within 45 days after the end of each of (i) the first three fiscal quarters of ADSC, the consolidated balance sheet of ADSC and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such quarter and for the portion of ADSC's fiscal year ended at the end of such quarter, and (ii) the first three fiscal quarters of WFNNB, the consolidated balance sheet of WFNNB and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such quarter and for the portion of WFNNB's fiscal year ended at the end of such quarter, setting forth in each case, in comparative form the figures for the corresponding quarter and the corresponding portion of ADSC's or WFNNB's, as appropriate, previous fiscal year, all certified (subject to normal year-end adjustments and the absence of footnotes) as to fairness of presentation, generally accepted accounting principles and consistency by the treasurer or chief financial officer of ADSC or WFNNB, as appropriate;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the treasurer or chief financial officer of ADSC, (i) setting forth in reasonable detail the calculations required to establish whether ADSC was in compliance with the requirements of Sections 6.11, 6.12, 6.13, 6.14 and 6.15 on the date of such financial statements, (ii) comparing such results to the comparable period of the prior fiscal year and the budgeted figures previously delivered for such period and (iii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which ADSC is taking or proposes to take with respect thereto;

(d) so long as not contrary to the then recommendations of the Financial Accounting Standards Board, simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a statement of the accounting firm which reported on such statements as to whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements;

(e) within 45 days after the beginning of each fiscal year of ADSC, a budget in form reasonably satisfactory to the Administrative Agent (including budgeted statements of consolidated income, consolidated cash flows, and consolidated balance sheets) prepared by ADSC for each of the four quarters of such fiscal year, accompanied by a statement of the treasurer or chief financial officer of ADSC to the effect that, to the best of such officer's knowledge, the budget is a reasonable estimate for the period covered thereby;

(f) within five days after any officer of any Credit Party obtains knowledge of any Default, if such Default is then continuing, a certificate of the treasurer or chief financial officer of ADSC setting forth the details thereof and the action which ADSC or such Credit Party is taking or proposes to take with respect thereto;

(g) promptly after the mailing thereof to the public shareholders of ADSC, copies of all financial statements, reports and proxy statements so mailed;

(h) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on

Forms 10-K, 10-Q and 8-K (or their equivalents) which ADSC or any other Credit Party shall have filed with the Securities and Exchange Commission;

(i) immediately upon discovery of the fact that any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan, Foreign Pension Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan, Foreign Pension Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the treasurer of ADSC setting forth details as to such occurrence and action, if any, which ADSC, the applicable Credit Party or the applicable member of the ERISA Group is required or proposes to take;

(j) to the extent permitted by applicable law, promptly upon the receipt or execution thereof, (i) notice by ADSC or any Insured Subsidiary that (1) it has received a request or directive from any federal or state regulatory agency which requires it to submit a capital maintenance or restoration plan or restricts the payment of dividends by any Insured Subsidiary to ADSC or (2) it has submitted a capital maintenance or restoration plan to any federal or state regulatory agency or has entered into a memorandum or agreement with any such agency, including, without limitation, any agreement which restricts the payment of dividends by any Insured Subsidiary to ADSC or otherwise imposes restrictions or requirements on it which are not generally applicable to banks or thrifts, and (ii) copies of any such plan, memorandum, or agreement, unless disclosure is prohibited by the terms thereof and, after ADSC or such Insured Subsidiary has in good faith attempted to obtain the consent of such regulatory agency, such agency will not consent to the disclosure of such plan, memorandum, or agreement to the Bank;

(k) prompt notice if ADSC, any Subsidiary or any other Credit Party shall receive any notification from any governmental authority alleging a violation of any applicable law or any inquiry which could reasonably be expected to have a material adverse effect on ADSC and the other Credit Parties, taken as a whole;

(l) prompt notice of any Person becoming a Material Subsidiary;

(m) prompt notice of the sale, transfer or other disposition of any material assets of ADSC, any Subsidiary or any other Credit Party to any Person other than ADSC, any Subsidiary or any other Credit Party;

(n) prompt notice of any change in the senior management of ADSC and any change in the business assets, liabilities, financial condition, results of operations or business prospects of ADSC, any Subsidiary or any other Credit Party which has had or could reasonably be expected to have a material adverse effect on ADSC and the other Credit Parties, taken as a whole; and

(o) from time to time such additional information regarding the financial position or business of the Credit Parties and their Subsidiaries (including non-financial information and examination

reports and supervisory letters to the extent permitted by applicable regulatory authorities) as the Administrative Agent, at the request of any Bank, may reasonably request.

Section 6.2. Payment of Obligations. Each Credit Party will pay and discharge, and will cause each Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities (including, without limitation, tax liabilities and claims of materialmen, warehousemen and the like which if unpaid might by law give rise to a Lien), except where the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each Subsidiary to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

Section 6.3. Maintenance of Property; Insurance. (a) Each Credit Party will keep, and will cause each Subsidiary to keep, all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) Each Credit Party will, and will cause each Subsidiary to, maintain (either in the name of ADSC or in its own name) with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts, against at least such risks and with such risk retention as are usually maintained, insured against or retained, as the case may be, in the same general area by companies of established repute engaged in the same or a similar business and will furnish to the Banks, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

Section 6.4. Conduct of Business and Maintenance of Existence. Each Credit Party will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by such Credit Party, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect their respective existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business; *provided,* that nothing in this Section 6.4 shall prohibit (i) a merger or consolidation which is otherwise permitted by Section 6.7 or (ii) the termination of the corporate existence of any Subsidiary (other than the Borrower) if ADSC in good faith determines that such termination is in the best interest of ADSC and is not materially disadvantageous to the Banks.

Section 6.5. Compliance with Laws. Each Credit Party will comply, and cause each Subsidiary to comply, in all respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except (i) where the necessity of compliance therewith is contested in good faith by appropriate proceedings or (ii) to the extent that failure to comply therewith would not have a material adverse effect on (a) the property, business, operations, financial condition, prospects, liabilities or capitalization of ADSC and the Credit Parties, taken as a whole, (b) the ability of any Credit Party to perform its obligations under any of the Credit Documents to which it is a party, (c) the validity or enforceability of any of the Credit Documents, (d) the rights and remedies of the Banks and the Administrative Agent under any of the Credit Documents or (e) the timely payment of the principal of or interest on the Loans or the payment obligations of the Credit Parties under the Credit Documents.

Section 6.6. Inspection of Property, Books and Records. The Credit Parties will keep, and will cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary to permit, representatives of any Bank, at such Bank's expense, to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

Section 6.7. Mergers and Sales of Assets. The Credit Parties will not (x) consolidate or merge with or into any other Person or (y) sell, lease or otherwise transfer, directly or indirectly, any substantial part of the assets of any Credit Party and its Subsidiaries, taken as a whole, to any other Person; except that the following shall be permitted, but in the case of clauses (a), (c) and (d) below, only so long as no Default shall have occurred and be continuing both before and after giving effect thereto: (a) (i) any Credit Party may merge with or sell or otherwise transfer assets to ADSC or any Guarantor, (ii) any Person may be merged with or into any Credit Party pursuant to an acquisition permitted by Section 6.21(b), *provided* that such Credit Party is the surviving corporation of such merger and (iii) any Credit Party (other than the Borrower) may be merged with or into any Person pursuant to an acquisition permitted by Section 6.21(b), *provided* that if required by Section 6.25 the surviving entity becomes a Guarantor at the time of such merger pursuant to documentation reasonably acceptable to the Administrative Agent, (b) the sale or other transfer of credit card receivables and related assets pursuant to Qualified Securitization Transactions, (c) assets sold and leased back in the normal course of ADSC's business and (d) sales, leases and other transfers of assets in an aggregate amount which when combined with all such other transactions under this clause (d) during the then current fiscal year, represents the disposition of assets with an aggregate book value not greater than 5% of Consolidated Net Worth of ADSC calculated as of the end of the immediately preceding fiscal year.

Section 6.8. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower to finance the general corporate and working capital needs of the Borrower and its Subsidiaries including, without limitation, the refinancing of existing indebtedness and the financing of Restricted Acquisitions. None of the proceeds of any Loan made hereunder will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulation U.

Section 6.9. Negative Pledge. Neither a Credit Party nor any Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens pursuant to the Pledge Agreements;

(b) Liens existing on the Effective Date and listed on Schedule 6.9 hereto;

(c) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary and not created in contemplation of such event;

(d) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset, *provided* that such Lien attaches only to such asset acquired and attaches concurrently with or within 90 days after the acquisition thereof;

(e) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into a Credit Party or its Subsidiary and not created in contemplation of such event, so long as such Lien does not attach to any other asset of such Credit Party or its Subsidiaries;

(f) any Lien existing on any asset prior to the acquisition thereof by a Credit Party or a Subsidiary and not created in contemplation of such acquisition;

(g) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, *provided* that the amount of such Debt is not increased and is not secured by any additional assets;

(h) Liens arising in the ordinary course of its business which (i) do not secure Debt or Derivatives Obligations, (ii) do not secure any obligation in an amount exceeding U.S. $5,000,000 and (iii) do not in the aggregate materially detract from the value of the assets secured or materially impair the use thereof in the operation of such Credit Party or Subsidiary's business;

(i) Liens arising in connection with Qualified Securitization Transactions;

(j) Liens securing Debt permitted under Section 6.15(vi) hereof;

(k) Liens incurred or deposits or pledges made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security, (ii) to secure the payment or performance of tenders, statutory or regulatory obligations, bids, leases, contracts (including contracts to provide customer care services, billing services, transaction processing services and other services), performance and return of money bonds and other similar obligations, including letters of credit and bank guarantees required or requested by the United States, any State thereof or any foreign government or any subdivision, department, agency, organization or instrumentality of any of the foregoing in connection with any contract or statute (exclusive of obligations for the payment of borrowed money), or (iii) to cover anticipated costs of future redemptions of awards under loyalty marketing programs; and

(l) Liens not otherwise permitted by the foregoing clauses of this Section 6.9 securing Debt in an aggregate principal or face amount at any date not to exceed 2% of Consolidated Net Worth of ADSC.

In each case set forth above, notwithstanding any stated limitation on the assets that may be subject to such Lien, a Lien on a specified asset or group or type of assets may include Liens on all improvements, additions and accessions thereto and all products and proceeds thereof.

Section 6.10. End of Fiscal Years and Fiscal Quarters. ADSC shall cause its fiscal year, and shall cause each of its Subsidiaries' fiscal years, to end on December 31 and shall cause its and each of its Subsidiaries' fiscal quarters to coincide with calendar quarters.

Section 6.11. Maximum Total Capitalization Ratio. ADSC will not permit its Total Capitalization Ratio at any time to be more than 45%.

Section 6.12. Senior Leverage Ratio. ADSC shall not permit its Senior Leverage Ratio at any time to exceed 2.00 to 1.00.

Section 6.13. Interest Coverage Ratio. ADSC will not permit its Interest Coverage Ratio for any period of twelve consecutive fiscal months, as determined for such twelve month period ending on the last day of any fiscal month, to be less than 3.50:1.00.

Section 6.14. Delinquency Ratio. ADSC shall not permit the average of the Delinquency Ratios for WFNNB for the most recently ended three consecutive calendar months to exceed 4.5%.

Section 6.15. Debt Limitation. ADSC shall not, and shall not permit any of its Subsidiaries, whether now existing or created in the future, to create or retain any Debt other than (i) any Debt created or retained by ADSC or such Subsidiary on or before the Effective Date, (ii) any Debt owed to ADSC or a Subsidiary by ADSC or a Subsidiary, *provided* that (A) all such loans shall be made in compliance with Section 6.21(a), and (B) all such loans from ADSC to WFNNB or another Insured Subsidiary shall be made pursuant to and evidenced by the WFNNB Note or an Intercompany Note, as applicable, (iii) issuances by Insured Subsidiaries of certificates of deposit and other items to the extent no Default results therefrom pursuant to the other covenants contained in this Article 6, (iv) Permitted Subordinated Debt, (v) Debt incurred in connection with Qualified Securitization Transactions, (vi) obligations of ADSC or its Subsidiaries as lessee in respect of leases of property which are capitalized in accordance with generally accepted accounting principles and shown on the balance sheet of ADSC and its Subsidiaries and which in the aggregate do not at any one time exceed 10% of the Consolidated Net Worth of ADSC at such time, (vii) loans and letter of credit reimbursement obligations outstanding from time to time under this Agreement and the US Credit Agreements in an aggregate principal amount not to exceed U.S. $450,000,000 (including the Dollar equivalent of Canadian Dollar borrowings based on the exchange rate set forth in this Agreement), (viii) Debt

incurred by ADSC and its Subsidiaries in the nature of a purchase price adjustment in connection with a permitted Restricted Acquisition, and (ix) other unsecured Debt of ADSC and/or its Subsidiaries not to exceed U.S. $10,000,000 in the aggregate outstanding at any time.

Section 6.16. Capitalization of Insured Subsidiaries. ADSC shall, at all times, cause all Insured Subsidiaries to be "well capitalized" within the meaning of U.S. 12 C.F.R. 208.43(b)(1) or any successor regulation and such Insured Subsidiaries at no time be reclassified by any relevant agency as anything other than "well capitalized."

Section 6.17. Restricted Payments; Required Dividends. (a) Other than payments made in accordance with the terms of subsection (b) below, neither ADSC nor any of its Subsidiaries will declare or make any Restricted Payment unless, after giving effect thereto, the aggregate of all Restricted Payments declared or made does not exceed the sum of (i) U.S. $10,000,000 plus (ii) 25% of the amount by which the Consolidated Net Income of ADSC exceeds zero (or minus 100% of the amount by which the Consolidated Net Income of ADSC is less than zero) for the period from April 1, 2003 through the end of ADSC's then most recent fiscal quarter (treated for this purpose as a single accounting period).

(b) ADSC shall cause each Domestic Subsidiary (to the extent permitted under any applicable law, rule or regulation, judgment, injunction, order or decree of any governmental authority) to take all such necessary corporate actions to declare cash dividends, payable to the shareholder of such Subsidiary, in an aggregate amount, if any, equal to all amounts that are then due and owing and remain outstanding after the date of payment therefor pursuant to the terms of this Agreement.

Notwithstanding the foregoing, if a Default or Event of Default exists, neither ADSC nor any of its Subsidiaries shall make any Restricted Payments to any Person other than to ADSC or any other Credit Party.

Section 6.18. Equity Ownership, Limitation on Creation of Subsidiaries. Notwithstanding anything to the contrary contained in this Agreement, ADSC will not, and will not permit any of its Subsidiaries to, establish, create or acquire after the Effective Date any Subsidiary; *provided* that (A) ADSC and its Wholly-Owned Subsidiaries shall be permitted to establish or create Wholly-Owned Subsidiaries so long as, in each case, (i) if such new Subsidiary is a Material Subsidiary or a Foreign Subsidiary, written notice of the establishment or creation thereof is given to the Administrative Agent promptly after such establishment or creation, (ii) all of

the equity interest of such new Subsidiary (unless such Subsidiary is a Qualified Securitization Subsidiary or an Insured Subsidiary or a Subsidiary of a Qualified Securitization Subsidiary or an Insured Subsidiary) held by the Borrower or a Guarantor is promptly pledged pursuant to, and to the extent required by, this Agreement and the Pledge Agreements and the certificates, if any, representing such stock, together with stock powers duly executed in blank, are delivered to the Collateral Agent and (iii) if required by Section 6.25, such new Subsidiary promptly executes a Guarantor Supplement to become a Guarantor pursuant to Article 10, and becomes a party to the Pledge Agreements (or similar documents satisfactory to the Administrative Agent) and (B) Subsidiaries may be acquired to the extent such acquisition does not give rise to a Default hereunder so long as (x) in each such case involving the acquisition of a Wholly-Owned Subsidiary, the actions specified in preceding clause (A) shall be taken, (y) in each such case involving the acquisition of a non-Wholly-Owned Subsidiary, the action specified in the preceding clause (A)(ii) shall be taken, and (z) the Borrower complies with Sections 6.1(1) and 6.21. In addition, each new Subsidiary that is required to execute any Credit Document shall execute and deliver, or cause to be executed and delivered, all other relevant documentation of the type described in Section 3.1 as such new Subsidiary would have had to deliver if such new Subsidiary were a Credit Party on the Effective Date.

Section 6.19. Change of Business. ADSC will not, and will not permit any of its Subsidiaries to, materially alter the character of the business of the Borrower and its Subsidiaries from that conducted on the Effective Date.

Section 6.20. Limitation on Issuance of Capital Stock. (a) ADSC will not, and will not permit any of its Subsidiaries to, issue (i) any preferred stock or (ii) any common stock redeemable at the option of the holder thereof.

(b) ADSC will not permit any of its Subsidiaries to issue any capital stock (including by way of sales of treasury stock) or any options or warrants to purchase, or securities convertible into, capital stock, except (i) for transfers and replacements of then outstanding shares of capital stock, (ii) for stock splits, stock dividends and issuances which do not decrease the percentage ownership of the Borrower or any of its Subsidiaries in any class of the capital stock of such Subsidiary, (iii) to qualify directors to the extent required by applicable law and (iv) for issuances by newly created or acquired Subsidiaries in accordance with the terms of this Agreement.

Section 6.21. Investments; Restricted Acquisition. (a) ADSC shall not, and shall not permit any Subsidiary to hold, make or acquire any Investment in any Person other than:

(i) Investments by ADSC or its Subsidiaries in Persons which are Guarantors;

(ii) Investments by ADSC or its Subsidiaries in Persons which are Domestic Subsidiaries but not Guarantors; *provided that*, immediately after each such Investment is made, the aggregate amount of such Investments then outstanding (the amount of each such Investment being measured at the time such Investment was made) (and without duplication of amounts subsequently invested by the recipient thereof in another Domestic Subsidiary that is not a Guarantor) shall not exceed 5% of ADSC's Consolidated Net Worth (measured at the time each such Investment is made) *plus* the amount invested on the Effective Date;

(iii) Investments by ADSC or its Subsidiaries in Foreign Subsidiaries *provided that*, immediately after each such Investment is made, the aggregate amount of such Investments then outstanding (the amount of each such Investment being measured at the time such Investment was made) (and without duplication of amounts subsequently invested by the recipient thereof in another Foreign Subsidiary) shall not exceed 5% of the ADSC's Consolidated Net Worth (measured at the time each such Investment is made) *plus* the amount invested on the Effective Date;

(iv) Investments consistent with the investment policy attached hereto as Schedule II;

(v) Investments by Insured Subsidiaries as are necessary to comply with the provisions of the Community Reinvestment Act;

(vi) Investments consisting of credit card loans made by Insured Subsidiaries pursuant to the terms of any applicable credit card accounts owned by Insured Subsidiaries;

(vii) Restricted Acquisitions permitted under Section 6.21(b);

(viii)Investments made in connection with Qualified Securitization Transactions;

(ix) Investments in the form of loans to WFNNB *provided* that immediately after each such loan is made, the aggregate outstanding principal amount of all such loans shall not exceed U.S. $100,000,000;

(x) Investments in the form of loans to Insured Subsidiaries other than WFNNB *provided that* immediately after each such loan is made, the aggregate outstanding principal amount of all such loans shall not exceed U.S. $20,000,000; and

(xi) any Investment not otherwise permitted by the foregoing clauses of this Section if, immediately after such Investment is made or acquired, the aggregate net book value of all Investments permitted by this clause (xi) (measured at the time each such Investment is made) does not exceed 5% of Consolidated Net Worth of ADSC.

(b) ADSC and its Subsidiaries may make Restricted Acquisitions so long as:

(i) ADSC and its Subsidiaries shall be in compliance with all provisions of this Agreement, including all financial covenants, both before and after giving effect thereto, with such financial covenants to be calculated on a *pro forma* basis as if such Restricted Acquisition had been consummated on the first day of the then most recently ended period of twelve consecutive fiscal months and giving effect to (x) the actual historical financial performance (including Consolidated Operating EBITDA) of such acquired entity and (y) identifiable cost savings associated with providing data processing services to such acquired entities as reasonably approved by the Administrative Agent;

(ii) the total consideration paid (including equity issued and Debt assumed) in connection with any Restricted Acquisition of a Person which as a result thereof does not become a Wholly-Owned Subsidiary of ADSC when added to the total consideration paid (including equity issued and Debt assumed) in connection with each other Restricted Acquisition of a Person which as a result thereof did not become a Wholly-Owned Subsidiary of ADSC consummated in the same fiscal year, shall not exceed 10% of ADSC's Consolidated Net Worth calculated at the end of the immediately preceding fiscal year;

(iii) such Restricted Acquisition is not a Hostile Acquisition; and

(iv) ADSC complies with Section 6.18.

Section 6.22. Consolidated Capital Expenditures. ADSC shall not, and shall not permit its Subsidiaries to make Consolidated Capital Expenditures in any fiscal year exceeding 30% of the ADSC's previous fiscal year's Consolidated Operating EBITDA.

Section 6.23. Limitation on Voluntary Payments and Modifications of Certain Indebtedness. ADSC will not, and will not permit any of its Subsidiaries to, (i) make (or give any notice in respect of) any voluntary or optional payment or prepayment on or redemption or acquisition for value of, or make any prepayment or redemption as a result of any asset sale, change of control or similar event of (including, in each case, without limitation, by way of depositing with the trustee with respect thereto or any other Person, money or securities before due for the purpose of paying when due) any Permitted Subordinated Debt or (ii) amend or modify, or permit the amendment or modification of, any provision of the agreements evidencing the Permitted Subordinated Debt in any way that would cause such Debt to no longer constitute Permitted Subordinated Debt. Notwithstanding any other provision of this Agreement and the other Credit Documents, ADSC may prepay the WCAS Subordinated Note at any time.

Section 6.24. No Restrictions. Except as provided herein, ADSC will not, and will not permit any Subsidiary to, directly or indirectly create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Insured Subsidiary to: (a) pay dividends or make any other distribution on any Subsidiary's capital stock or other equity interests owned by ADSC or any other Subsidiary, (b) pay any indebtedness owed to ADSC or any other Subsidiary, (c) make loans or advances to ADSC or any other Subsidiary or (d) transfer any of its property to ADSC or any other Subsidiary, except encumbrances and restrictions of the types described below:

(1) encumbrances and restrictions contained in this Agreement and the other Credit Documents;

(2) customary supermajority voting provisions and other customary provisions with respect to the disposition or distribution of assets, each contained in corporate charters, bylaws, stockholders' agreements, limited liability company agreements, partnership agreements, joint venture agreements and other similar agreements;

(3) encumbrances and restrictions required by law or by any regulatory authority having jurisdiction over such Insured Subsidiary or any of their businesses;

(4) customary restrictions in agreements governing Liens permitted under Section 6.9 provided that such restrictions relate solely to the property subject to such Lien;

(5) encumbrances and restrictions contained in any merger agreement or any agreement for the sale or other disposition of an asset, including, without limitation, the capital stock or other equity interest of a Subsidiary, *provided, that* such restriction is limited to the asset that is the subject of such agreement for sale or disposition and such disposition is made in compliance with Section 6.7;

(6) encumbrances and restrictions contained in contracts (other than relating to Debt) entered into in the ordinary course of business that do not, in the aggregate, detract from the value of the property or assets of ADSC or any Subsidiary in any material manner (including, without limitation, non-assignment provisions in leases and licenses);

(7) encumbrances and restrictions contained in Permitted Subordinated Debt; and

(8) encumbrances and restrictions contained in any agreement or instrument, capital stock or other equity interest that amends, modifies, restates, renews, increases, supplements, refunds, replaces, extends or refinances any agreement, instrument or capital stock or equity interest described in clauses (1)-(8) of this Section, from time to time, in whole or in part, *provided that* the encumbrances or restrictions set forth therein are not more restrictive than those contained in the predecessor agreement, instrument or capital stock or other equity interest.

Section 6.25. Guarantors. ADSC will (a) cause each Material Subsidiary to execute this Agreement as a Guarantor (and from and after the Effective Date cause each Material Subsidiary to execute and deliver to the Administrative Agent, as promptly as possible, but in any event within thirty (30) days after becoming a Material Subsidiary of ADSC, an executed Guarantor Supplement to become a Guarantor hereunder (whereupon such Subsidiary shall become a "Guarantor" under this Agreement)), and (b) deliver and cause each such Subsidiary to deliver corporate resolutions, opinions of counsel, and such other corporate documentation as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent; *provided, however,* that upon ADSC's written request of and certification to the Administrative Agent that a Subsidiary is no longer a Material Subsidiary, the Administrative Agent shall release such Subsidiary from its duties and obligations hereunder and under its Guarantor Supplement; *provided, further,* that if such Subsidiary subsequently qualifies as a Material Subsidiary, it shall be required to re-execute the Guarantor Supplement. Notwithstanding the foregoing, the provisions of this Section 6.25 shall not be applicable with respect to Insured Subsidiaries, Qualified Securitization Subsidiaries and Subsidiaries of Insured Subsidiaries and Qualified Securitization Subsidiaries.

ARTICLE 7

DEFAULTS

Section 7.1. Events of Default. If one or more of the following events ("*Events of Default*") shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal of any Loan or Unpaid Drawing or shall fail to pay within 3 Business Days from the date due any interest, any fees or any other amount payable hereunder;

(b) any Credit Party shall fail to observe or perform any covenant contained in Article 6 (other than those contained in Sections 6.1 through 6.3 inclusive, Section 6.5 or Section 6.6);

(c) any Credit Party shall fail to observe or perform any covenant or agreement contained in this Agreement, or the Pledge Agreements, (other than those covered by clause (a) or (b) above)

for 30 days after notice thereof has been given to the applicable Credit Party by the Administrative Agent at the request of the Required Banks;

(d) any representation, warranty, certification or statement made by any Credit Party in any Credit Document or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) any Credit Party or any Subsidiary of any of them shall fail to make any payment in respect of any Material Financial Obligations when due or within any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt of any Credit Party or any Subsidiary of a Credit Party or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) any Credit Party or any Subsidiary of any of them shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver (which for the purposes hereof include a receiver and manager or an interim receiver), liquidator, custodian, examiner or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of, or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing or any Insured Subsidiary shall cease to be a federally insured depositary institution, or a cease and desist order which is material and adverse to the conduct of such Insured Subsidiary's business or assets shall be issued against the Borrower or any Subsidiary pursuant to applicable federal or state law applicable to banks or thrifts, or the Borrower or any Subsidiary shall enter into any commitment to maintain the capital of an insured depository institution in a required amount with any federal or state regulator or any such regulator shall require the Borrower or any Subsidiary to submit a capital maintenance or restoration plan;

(h) an involuntary case or other proceeding shall be commenced against any Credit Party or any Subsidiary of any of them seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, examiner or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against any Credit Party or any Subsidiary of either of them under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of U.S. $10,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of U.S. $10,000,000;

(j) judgments or orders for the payment of money aggregating in excess of U.S. $10,000,000 shall be rendered against ADSC or any of its Subsidiaries and such judgments or orders shall continue unsatisfied and unstayed for a period of 30 days;

(k) a Change of Control shall occur;

(l) any Credit Party shall assert any claim that the security interest in the Collateral granted by such Credit Party to the Collateral Agent pursuant to the Pledge Agreements is unenforceable, is other than first-priority or is otherwise invalid;

(m) any Guarantor shall revoke its guaranty provided for in Article 10 of this Agreement or assert that its guaranty provided for in Article 10 of this Agreement is unenforceable or otherwise invalid except as permitted hereunder;

(n) at any time, the Collateral is transferred in violation of the terms of either Pledge Agreement; and

(o) any License Agreement shall terminate or any arbitration or litigation shall be commenced seeking termination thereof (except that any litigation or arbitration commenced by a Person who is not a party to such License Agreement shall not result in an Event of Default hereunder unless such action is not stayed or dismissed within 60 days of the commencement thereof), or any party shall assert any termination thereof, or any party to any License Agreement shall default in any of its material obligations thereunder beyond the period of grace (if any) therein provided;

then, and in every such event, the Administrative Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments and they shall thereupon terminate, (ii) if requested by Banks holding more than 50% of the aggregate principal amount of the Loans, by notice to the Borrower declare the Loans (together with accrued interest thereon and any commitment fee) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, notice of acceleration, notice of intent to accelerate, protest or other notice of any kind, all of which are hereby waived by the Borrower; *provided,* that in the case of any of the Events of Default specified in clause 7.1(g) or 7.1(h) above with respect to the Borrower or ADSC, without any notice to the Borrower or ADSC or any other act by the Administrative Agent or the Banks, the Commitments shall thereupon terminate and the Loans (together with accrued interest thereon and any commitment fee) shall become immediately due and payable without presentment, demand, notice of acceleration, notice of intent to accelerate, protest or other notice of any kind, all of which are hereby waived by the Borrower and (iii) if requested by the Required Banks

(w) enforce, as Collateral Agent, any or all of the Liens and security interests created pursuant to the Pledge Agreements; (x) terminate any Letter of Credit which may be terminated in accordance with its terms; (y) direct the Borrower to pay (and the Borrower hereby agrees upon receipt of such notice, or upon the occurrence of any Event of Default specified in clauses 7.1(g) and 7.1(h) in respect of the Borrower or ADSC, it will pay) to the Collateral Agent at its Payment Office such additional amounts of cash, to be held as security for the Borrower's reimbursement obligations in respect of Letters of Credit then outstanding equal to the aggregate Stated Amount of all Letters of Credit then outstanding; and (z) apply any cash collateral held pursuant to this Agreement to repay the Obligations.

Section 7.2. Notice of Default. (a) ADSC shall comply with Section 6.1(f).

(b) The Administrative Agent shall give notice to the Borrower as provided in Section 7.1(c) promptly upon being requested to do so by the Required Banks and shall thereupon notify all the Banks thereof.

ARTICLE 8

THE AGENT

Section 8.1. Appointment and Authorization. (a) Each Bank irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

Section 8.2. Administrative Agent and Affiliates. The Administrative Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and the Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Administrative Agent.

Section 8.3. Action by Administrative Agent. The obligations of the Administrative Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 7.

Section 8.4. Consultation with Experts. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower and/or any Guarantor), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 8.5. Liability of Administrative Agent. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks (or, when expressly required hereby, such different number of Banks required to consent to or request such action or inaction) or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any Borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Guarantor; (iii) the satisfaction of any condition specified in Article 3, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

Section 8.6. Indemnification. Each Bank shall, ratably in accordance with its Commitment, indemnify the Administrative Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnities, gross negligence or willful misconduct) that such indemnities may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnities hereunder.

Section 8.7. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and

information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 8.8. Successor Administrative Agent. The Administrative Agent may resign at any time by giving notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint a successor Administrative Agent, subject to the consent of the Borrower if no Event of Default exists (such consent not to be unreasonably withheld). If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, subject to the consent of the Borrower if no Event of Default exists (such consent not to be unreasonably withheld), which shall be a commercial bank organized under the laws of Canada or the United States of America or of any State thereof and having a combined capital

and surplus of at least the U.S. Dollar Equivalent of U.S. $100,000,000. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

Section 8.9. Intercreditor Agreement and Pledge Agreements. Each Bank authorizes the Administrative Agent to enter into each of the Intercreditor Agreement and the Pledge Agreements on behalf and for the benefit of such Bank and to take all actions contemplated by such documents, including, without limitation, all enforcement actions.

ARTICLE 9

CHANGE IN CIRCUMSTANCES

Section 9.1. Basis for Determining Interest Rate Inaccurate or Unfair. If on, or prior to, the first day of any Interest Period for a Euro-Dollar Loan or Euro-Canadian Dollar Loan:

(a) the Administrative Agent determines that deposits in U.S. Dollars or Canadian Dollars (in the applicable amounts) are not being offered to the Administrative Agent in the Euro-Dollar or Euro-Canadian Dollar market, as applicable, for such Interest Period, or

(b) Banks having 50% or more of the aggregate principal amount of the affected Loans advise the Administrative Agent that the London Interbank Offered Rate, as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, or to continue or convert outstanding Loans as or into Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, shall be suspended and (ii) each outstanding Euro-Dollar Loan or Euro-Canadian Dollar Loan, as applicable, shall be converted into a Base Rate Loan or Canadian Base Rate Loan, as applicable, on the last day of the then current Interest Period applicable thereto. Should either of the events set forth in subclause (a) or (b) above occur, unless the Borrower notifies the Administrative Agent at least two Business Days before the

date of any Borrowing of Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing or Canadian Base Rate Borrowing, as applicable.

Section 9.2. Illegality. If, on or after the Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office or Euro-Canadian Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central Bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office or Euro-Canadian Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans or Euro-Canadian Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, or to convert outstanding Loans into Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office or Euro-Canadian Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loans or Euro-Canadian Dollar Loan, as applicable, of such Bank then outstanding shall be converted to a Base Rate Loan or Canadian Base Rate Loan, as applicable, either (a) on the last day of the then current Interest Period applicable to such Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (b) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 9.3. Increased Cost and Reduced Return. (a) If on or after the Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve, special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or the London interbank market any other condition affecting its Loans, its Note or its obligation to make Loans and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that after the Effective Date, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to

a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the Effective Date, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

Section 9.4. Taxes. (a) For the purposes of this Section 9.4, the following terms have the following meanings:

"*Taxes*" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by the Borrower or the applicable Guarantor, as the case may be, pursuant to this Agreement or under any Note, and all liabilities with respect thereto, *excluding* (i) in the case of each Bank and the Administrative Agent, taxes imposed on its income, receipts, capital and franchise or similar taxes imposed on it, by a jurisdiction under the laws of which such Bank or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Bank, in which its Applicable Lending Office is located and (ii) in the case of each Bank, any Canadian withholding tax imposed on such payments but only to the extent that such Bank is subject to Canadian withholding tax at the time such Bank first becomes a party to this Agreement.

"*Other Taxes*" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note.

(b) Any and all payments by the Borrower or the applicable Guarantor, as the case may be, to or for the account of any Bank or the Administrative Agent hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes; *provided*, that, if the Borrower or the applicable Guarantor, as the case may be, shall be required by law to deduct any Taxes or Other Taxes from any such payments (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower or the applicable Guarantor, as the case may be, shall make such deductions, (iii) the Borrower or the applicable Guarantor, as the case may be, shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower or the applicable Guarantor, as the case may be, shall furnish to the Administrative Agent, at its address referred to in Section 11.1, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Borrower agrees to indemnify each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by such Bank or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be paid within 15 days after such Bank or the Administrative Agent (as the case may be) makes demand therefor.

(d) If the Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section, then such Bank will change the jurisdiction of its Applicable Lending office if, in the judgment of such Bank, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Bank.

Section 9.5. Base Rate Loans Substituted for Affected Fixed Rate Loans. If (i) the obligation of any Bank to make, or convert outstanding Loans to, Euro-Dollar Loans or Euro-Canadian Dollar Loans has been suspended pursuant to Section 9.2 or (ii) any Bank has demanded compensation under Section 9.3 or 9.4 with respect to its Euro-Dollar Loans or Euro-Canadian Dollar Loans and the Borrower shall, by at least five Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist:

(a) all Loans which would otherwise be made by such Bank as (or continued as or converted into) Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, shall instead be Base Rate Loans or Canadian Base Rate Loans, or applicable (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, of the other Banks); and

(b) after each of its Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, has been repaid (or converted to a Base Rate Loan), all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, shall be applied to repay its Base Rate Loans or Canadian Base Rate Loans, as applicable, instead.

If such Bank notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan or Canadian Base Rate Loans, as applicable, shall be converted into Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans or Euro-Canadian Dollar Loans, as applicable, of the other Banks.

Section 9.6. Limitations on Reimbursement. (a) The Borrower shall not be required to pay to any Bank reimbursement with regard to any costs or expenses under Section 2.15, 2A.6 or Article 9 incurred more than 90 days prior to the date of the relevant Bank's demand therefor.

(b) None of the Banks shall be permitted to pass through to the Borrower charges and costs under Section 2.15 or 2A.6 or Article 9 on a discriminatory basis (*i.e.,* which are not also passed through by such Bank to other customers of such Bank similarly situated where such customer is subject to documents providing for such pass through).

(c) If the obligation of any Bank to make a Euro-Dollar Loan or Euro-Canadian Dollar Loan has been suspended under Section 9.2 or 9.5 for more than three consecutive months, or any Bank has requested compensation under Section 2.15 or 9.3, then the Borrower, provided no Default exists, shall have the right, subject to the Administrative Agent's prior written consent (such consent not to be unreasonably withheld) and in accordance with Section 11.6(c), to substitute a financial institution for such Bank. Such substitution shall result in such financial institution acquiring such Bank's rights, duties and obligations hereunder and assuming such

Bank's Commitment hereunder. Upon such acquisition and assumption, the obligations of the Bank subject thereto shall be discharged, such Bank's Commitment shall be reduced to zero, and such Bank shall cease to be obligated to make further Loans.

ARTICLE 10

PERFORMANCE AND PAYMENT GUARANTY

Section 10.1. Unconditional and Irrevocable Guaranty. (a) The Guarantors hereby jointly and severally, unconditionally and irrevocably undertake and agree with and for the benefit of the Administrative Agent and the Banks and each of their respective permitted assignees (collectively, the "*Beneficiaries*") to cause the due payment, performance and observance by the Borrower and its assigns of all of the Obligations, terms, covenants, conditions, agreements and undertakings on the part of the Borrower, to be paid, performed or observed under any Credit Document in accordance with the terms thereof including, without limitation, any agreement of the Borrower to pay any amounts due with respect to the Loans, under this Agreement or any other amounts due and owing under any Credit Document together with all costs and expenses (including without limitation reasonable legal fees and disbursements) incurred by the Administrative Agent or any Bank in enforcing its or their rights under this Article 10 (all such Obligations, terms, covenants, conditions, agreements and undertakings on the part of the Borrower to be paid, performed or observed by the Borrower being collectively called the "*Guaranteed Obligations*"). In the event that the Borrower shall fail in any manner whatsoever to pay, perform or observe any of the Guaranteed Obligations when the same shall be required to be paid, performed or observed under such Credit Document (after giving effect to any cure period), then each of the Guarantors will itself jointly and severally duly pay, perform or observe, or cause to be duly paid, performed or observed, such Guaranteed Obligation, and it shall not be a condition to the accrual of the obligation of any Guarantor hereunder to pay, perform or observe any Guaranteed Obligation (or to cause the same to be paid, performed or observed) that the Administrative Agent, the Banks or any of their permitted assignees shall have first made any request of or demand upon or given any notice to any Guarantor or to the Borrower or its successors or assigns, or have instituted any action or proceeding against any Guarantor or the Borrower or its successors or assigns in respect thereof. Notwithstanding anything to the contrary contained in this Section 10.1 the obligations of the respective Guarantors hereunder in respect of the Borrower are expressly limited to the Guaranteed Obligations.

(b) *Irrevocability*. The Guarantors each agree that its obligations under this Agreement shall be joint and several and irrevocable. In the event that under applicable law (notwithstanding the Guarantors' agreement regarding the joint and several and irrevocable nature of its obligations hereunder) any Guarantor shall have the right to revoke its guaranty under this Agreement, this Agreement shall continue in full force and effect as to such Guarantor until a written revocation hereof specifically referring hereto, signed by such Guarantor, is actually received by the Administrative Agent, delivered as provided in Section 11.1 hereof. Any such revocation shall not affect the right of the Administrative Agent or any other Beneficiary to enforce their respective rights under this Agreement with respect to (i) any Guaranteed Obligation (including any Guaranteed Obligation that is contingent or unmatured) which arose on or prior to the date the aforementioned revocation was received by the Administrative Agent, (ii) any Collateral in which a security interest was acquired by the Administrative Agent or its permitted assignees on or prior to the date the aforementioned revocation was received by the Administrative Agent or (iii) any other Guarantor. If the Administrative Agent, or its permitted assignees takes any action in reliance on this Agreement after any such revocation by a Guarantor but prior to the receipt by the Administrative Agent of said written notice, the rights of the Administrative Agent, any other Beneficiary or such permitted assignee with respect thereto shall be the same as if such revocation had not occurred.

Section 10.2. Enforcement. The Administrative Agent and its permitted assignees may proceed to enforce the obligations of the Guarantors under this Agreement without first pursuing or exhausting any right or remedy which the Administrative Agent or its permitted assignees may have against the Borrower, any other Person or the collateral under the Credit Documents.

Section 10.3. Obligations Absolute. To the extent permitted by law, the applicable Guarantor will perform its obligations under this Agreement regardless of any law now or hereafter in effect in any jurisdiction affecting any of the terms of this Agreement or any document delivered in connection with this Agreement or the rights of the Administrative Agent or its permitted assignees with respect thereto. The obligations of each Guarantor under this Agreement shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability or the discharge or disaffirmance (by any Person, including a trustee in bankruptcy) of the Guaranteed Obligations, the Loans, any Credit Document or any Collateral or any document, or any other agreement or instrument relating thereto;

(b) any exchange, release, discharge or non-perfection of any Collateral or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(c) any failure to obtain any authorization or approval from or other action by, or to notify or file with, any governmental authority or regulatory body required in connection with the performance of such obligations by the Borrower or any Guarantor; or

(d) any impossibility or impracticality of performance, illegality, *force majeure*, any act of any government or any other circumstance which might constitute a legal or equitable defense available to, or a discharge of, the Borrower or any Guarantor, or any other circumstance, event or happening whatsoever, whether foreseen or unforeseen and whether similar or dissimilar to anything referred to above in this Section 10.3.

Each Guarantor further agrees that its obligations under this Agreement shall not be limited by any valuation or estimation made in connection with any proceedings involving the Borrower or any Guarantor filed under the U.S. Bankruptcy Code of 1978, as amended (the "*Bankruptcy Code*"), whether pursuant to Section 502 of the Bankruptcy Code or any other Section thereof. Each Guarantor further agrees that the Administrative Agent shall be under no obligation to marshall any assets in favor of or against or in payment of any or all of the Guaranteed Obligations. Each Guarantor further agrees that, to the extent that a payment or payments are made by or on behalf of the Borrower to the Administrative Agent, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to the Borrower, the estate, trustee, receiver or any other party relating to the Borrower, including, without limitation, any Guarantor, under any bankruptcy law, state, provincial, or federal law, common law or equitable cause then, to the extent of such payment or repayment, the Guaranteed Obligations or part thereof which had been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred. The obligations of any Guarantor under this Agreement shall not be discharged except by performance as provided herein.

Section 10.4. Waiver. Each Guarantor hereby waives promptness, diligence, notice of acceleration, notice of intent to accelerate, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and any Credit Document and any requirement that the Administrative Agent or its permitted assignees exhaust any right or take any action against the Borrower, any other Person or any collateral under the Credit Documents.

Section 10.5. Subrogation. No Guarantor will exercise or assert any rights which it may acquire by way of subrogation under this Agreement unless and until all of the Guaranteed Obligations shall have been paid and performed in full. If any payment shall be made to any Guarantor on account of any subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid and performed in full each and every amount so paid will be held in trust for the benefit of the Beneficiaries and forthwith be paid to the appropriate Beneficiary in accordance with this Agreement and the appropriate Credit Document, to be credited and applied to the Guaranteed Obligations to the

extent then unsatisfied, in accordance with the terms of this Agreement or any document delivered in connection with this Agreement, as the case may be. In the event (i) the Guarantors shall have satisfied any of the Guaranteed Obligations and (ii) all of the Guaranteed Obligations shall have been paid and performed in full, the Administrative Agent will, at the Guarantors' request and expense, execute and deliver to the Guarantors appropriate documents, without recourse and without representation or warranty of any kind, necessary to evidence or confirm the transfer by way of subrogation to the Guarantors of the rights of the Beneficiaries or any permitted assignee, as the case may be, with respect to the Guaranteed Obligations to which the Guarantors shall have become entitled by way of subrogation, and thereafter the Beneficiaries and their respective permitted assignees shall have no responsibility to the Guarantors or any other person with respect thereof.

Section 10.6. Survival. All covenants made by the Guarantors herein shall be considered to have been relied upon by the Administrative Agent and the Banks and shall survive regardless of any investigation made by the Administrative Agent or any Bank or on the Administrative Agent's behalf.

Section 10.7. Guarantors' Consent to Assigns. Each Bank may assign or participate out all or any portion of its Commitment or the Loans in accordance with Section 11.6 of this Agreement, and each Guarantor agrees to recognize any such Assignee or participant as a successor and assignee of such Bank hereunder, with all rights of such Bank hereunder.

Section 10.8. Continuing Agreement. Article 10 under this Agreement is a continuing agreement and shall remain in full force and effect until all of the Borrower's Obligations have been satisfied in full.

Section 10.9. Entire Agreement. Each Guarantor acknowledges and agrees that the guarantee delivered by it hereunder is delivered free of any conditions and no representations have been made to any Guarantor affecting the liability of such Guarantor under its guarantee hereunder. Each Guarantor confirms and agrees that the guarantee contained herein is in addition to and not in substitution for any other guarantee held or which may hereafter be held by the Administrative Agent or any Bank. The rights, remedies and benefits in this Article 10 are cumulative and not in substitution for or exclusive of any other rights or remedies or benefits which the Administrative Agent or the Banks may otherwise have.

Section 10.10. Application. All monies received by the Administrative Agent or the Banks under the guarantee contained in this Article 10 may be applied against such part or parts of the Guaranteed Obligations as the Administrative Agent and the Banks may see fit and they shall at all times and from time to time have the right to change any appropriation of monies received by it or them and to reapply the same against any other part or parts of the Guaranteed Obligations as it or they may see fit, notwithstanding any previous application howsoever made.

ARTICLE 11

MISCELLANEOUS

Section 11.1. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, facsimile transmission or similar writing) and shall be given to such party: (a) in the case of a Credit Party or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof, (b) in the case of any Bank, at its address or facsimile number set forth on the signature pages hereof or (c) in the case of any party, such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means,

when delivered at the address specified in this Section; *provided* that notices to the Administrative Agent under Article 2 or Article 9 shall not be effective until received.

Section 11.2. No Waivers. No failure or delay by the Administrative Agent or any Bank in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 11.3. Expenses; Indemnification. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Administrative Agent, including fees and disbursements of counsel for the Administrative Agent, in connection with the preparation and administration of this Agreement and the other Credit Documents, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and each Bank, including (without duplication) the fees and disbursements of outside counsel and the allocated cost of inside counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify the Administrative Agent and each Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "*Indemnitee*") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; *provided*, that no Indemnitee shall have the right to be indemnified hereunder for (i) such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction or (ii) for any loss asserted by another Indemnitee.

Section 11.4. Sharing of Set-Offs. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks in accordance with their Percentages; *provided*, that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness hereunder. Each Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

Section 11.5. Amendment or Waiver, etc. Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and the Required Banks, *provided* that no such change, waiver, discharge or termination shall, without the consent of each Bank (with Obligations being directly affected in the case of following clauses (i) and (ii)), (i) extend the final scheduled maturity of any Loan or Note, or reduce the rate of interest or fees or extend the time of payment of interest or fees, or reduce the principal amount thereof (except to

the extent repaid in cash) (*provided* that any amendment or modification to the financial definitions in this Agreement or to Section 2.14 shall not constitute a reduction in the rate of interest or any fees for purposes of this clause (i)), (ii) release all or substantially all of the Collateral, (iii) release a Guarantor from its Guaranty of the Obligations of the Borrower (except in connection with the sale of a Subsidiary which is a Guarantor in accordance with the terms of this Agreement or as otherwise provided in Section 6.25), (iv) amend, modify or waive any provision of this Section 11.5, (v) reduce the percentage specified in the definition of Required Banks (it being understood that, with the consent of the Required Banks, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Banks on substantially the same basis as the extensions of Commitments are included on the Effective Date), (vi) amend or modify any provision of Section 11.6 to add any additional consent requirements necessary to effect any assignment or participation thereunder or (vii) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement; *provided, further,* that no such change, waiver, discharge or termination shall (v) without the consent of each Letter of Credit Issuer amend, modify or waive any provision of Article 2A or alter its rights or obligations with respect to Letters of Credit, (w) without the consent of the Swing Lender amend, modify or waive any provision of Section 2.1(b) through (f) or alter its rights or obligations with respect to Swing Loans, (x) increase the Commitments of any Bank over the amount thereof then in effect without the consent of such Bank (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of a mandatory reduction in the Total Commitments shall not constitute an increase of the Commitment of any Bank, and that an increase in the available portion of any Commitment of any Bank shall not constitute an increase of the Commitment of such Bank), (y) without the consent of the Administrative Agent, amend, modify or waive any provision of Article 8 or any other provision as the same relates to the rights or obligations of the Administrative Agent, or (z) without the consent of the Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent.

Section 11.6. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that neither the Borrower nor any Guarantor may assign or otherwise transfer any of their respective rights under this Agreement without the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "*Participant*") participating interests in its Commitment or any or all of its Loans. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement except to the extent such amendment or waiver would (i) extend the final scheduled maturity of any Loan or Note in which such participant is participating, or reduce the rate or extend the time of payment of interest or fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Total Commitment shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof), (ii) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement or (iii) release all or substantially all of the Collateral under the Pledge Agreements (except as expressly provided in the Credit Documents). In the case of any such participation, the participant shall not have any rights under this

Agreement or any of the other Credit Documents (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto) and all amounts payable by the Borrower hereunder shall be determined as if such Bank had not sold such participation. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 9 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank (or any Bank together with one or more other Banks) may (A) assign all or a portion of its Commitments and related outstanding Obligations hereunder to (i) its parent company and/or any affiliate of such Bank which is at least 50% owned by such Bank or its parent company, (ii) to one or more Banks or (iii) in the case of a Bank that is a fund that invests in bank loans, any other fund that invests in bank loans and is managed or advised by the same investment advisor of such Bank or by an Affiliate of such investment advisor or (B) assign all, or, if less than all, a portion equal to at least U.S. $5,000,000 in the aggregate for the assigning Bank or assigning Banks, of such Commitments and related outstanding Obligations hereunder to one or more Eligible Transferees, each of which assignees shall

become a party to this Agreement as a Bank by execution of an Assignment and Assumption Agreement, *provided* that, (i) at such time Schedule I shall be deemed modified to reflect the Commitments of such new Bank and of the existing Banks, (ii) upon the surrender of the relevant Notes by the assigning Bank (or, upon such assigning Bank's indemnifying the Borrower for any lost Note pursuant to a customary indemnification agreement) new Notes will be issued, at the Borrower's expense, to such new Bank and to the assigning Bank upon the request of such new Bank or assigning Bank, such new Notes to be in conformity with the requirements of Section 2.4 (with appropriate modifications) to the extent needed to reflect the revised Commitments, (iii) the consent of the Administrative Agent, each Letter of Credit Issuer and the Swing Lender shall be required in connection with any assignment to an Eligible Transferee pursuant to clause (B) above (which consent shall not be unreasonably withheld or delayed), (iv) so long as no Default or Event of Default exists, the consent of the Borrower shall be required in connection with any assignment to an Eligible Transferee pursuant to clause (B) above (which consent shall not be unreasonably withheld or delayed), (v) the Administrative Agent shall receive at the time of each such assignment, from the assigning or assignee Bank, the payment of a non-refundable assignment fee of U.S. $3,500, which fee shall not be subject to reimbursement from the Borrower, (vi) no such transfer or assignment will be effective until recorded by the Administrative Agent and (vii) so long as no Default or Event of Default exists and is continuing, no assignment or transfer shall be permitted to a Person that is not a resident of Canada. To the extent of any assignment pursuant to this Section 11.6(c), the assigning Bank shall be relieved of its obligations hereunder with respect to its assigned Commitments.

(d) Notwithstanding anything to the contrary contained herein, any Bank (a "*Granting Bank*") may grant to a special purpose funding vehicle (a "*SPC*"), identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; *provided that* (i) nothing herein shall constitute a commitment by any SPC to make any Loan, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Bank shall be obligated to make such Loan pursuant to the terms hereof and (iii) the SPC is a resident of Canada. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Loan were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior

indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of Canada or any Province thereof relating to claims, if any, under this Agreement. In addition, notwithstanding anything to the contrary contained in this subsection (e), any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Bank or to any Canadian resident financial institutions (consented to by the Borrower and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This section may not be amended without the written consent of the SPC.

(f) No assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 9.3 or 9.4 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made (i) with the Borrower's prior written consent or (ii) by reason of the provisions of Section 9.2, 9.3 or 9.4 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or (iii) at a time when the circumstances giving rise to such greater payment did not exist.

Section 11.7. Collateral. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

Section 11.8. Governing Law; Submission to Jurisdiction. (a) THIS AGREEMENT AND EACH NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. The Borrower and Guarantors hereby submit to the nonexclusive jurisdiction of the United States District Court for the Northern District of Illinois and of any Illinois State court sitting in the City of Chicago for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower and Guarantors irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

(b) (i) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due to a Bank in any currency (the "*Original Currency*") into another currency (the "*Other Currency*"), the parties agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, such Bank could purchase the Original Currency with the Other Currency on the Business Day preceding the day on which final judgment is given or, if permitted by applicable law, on the day on which the judgment is paid or satisfied.

(ii) The obligations of the Borrower in respect of any sum due in the Original Currency from it to the Banks under any of the Credit Documents shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by the Banks of any sum adjudged to be so due in the Other Currency, the Banks may, in accordance with normal banking procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to the Banks in the Original Currency, the Borrower agrees, as a separate obligation and notwithstanding the judgment, to indemnify the Banks against any loss, and, if the amount of the Original Currency so purchased exceeds the sum originally due to the Banks in the Original Currency, the Banks shall remit such excess to the Borrower.

Section 11.9. Counterparts; Integration; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party) and each of the other conditions specified in Section 3.1 have been satisfied.

Section 11.10. Waiver of Jury Trial. EACH OF THE BORROWER, THE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL

RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 11.11. Limitation on Interest. It is the intention of the parties hereto to comply with all applicable usury laws, whether now existing or hereafter enacted. Accordingly, notwithstanding any provision to the contrary in this Agreement, the other Credit Documents or any other document evidencing, securing, guaranteeing or otherwise pertaining to indebtedness of the Borrower to the Banks, in no contingency or event whatsoever, whether by acceleration of the maturity of indebtedness of the Borrower to the Banks or otherwise, shall the interest contracted for, charged or received by any Bank exceed the maximum amount permissible under applicable law. If from any circumstances whatsoever fulfillment of any provisions of this Agreement, the other Credit Documents or any other document evidencing, securing, guaranteeing or otherwise pertaining to indebtedness of the Borrower to the Banks, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, *ipso facto,* the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances any Bank shall ever receive anything of value as interest or deemed interest by applicable law under this Agreement, the other Credit Documents or any other document evidencing, securing, guaranteeing or otherwise pertaining to indebtedness of the Borrower to the Banks or otherwise an amount that would exceed the highest lawful amount, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing in connection with this Agreement or on account of any other indebtedness of the Borrower to the Banks, and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal owing in connection with this Agreement and such other indebtedness, such excess shall be refunded to the Borrower. In determining whether or not the interest paid or payable with respect to indebtedness of the Borrower to the Banks, under any specific contingency, exceeds the maximum nonusurious rate permitted under applicable law, the Borrower and the Banks shall, to the maximum extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, (c) amortize, prorate, allocate and spread the total amount of interest throughout the full term of such indebtedness so that the actual rate of interest on account of such indebtedness does not exceed the maximum amount permitted by applicable law, and/or (d) allocate interest between portions of such indebtedness, to the end that no such portion shall bear interest at a rate greater than that permitted by law. Notwithstanding the foregoing, if for any period of time interest on any of the Borrower's Obligations is calculated at the maximum rate permissible under applicable law rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the maximum rate permissible under applicable law, the rate of interest payable on the Borrower's Obligations shall remain at the maximum rate permissible under applicable law until the Banks have received the amount of interest which such Banks would have received during such period on the Borrower's Obligations had the rate of interest not been limited to the maximum rate permissible

under applicable law during such period. The terms and provisions of this paragraph shall control and supersede every other conflicting provision of this Agreement and the other Credit Documents.

Section 11.12. Currency Equivalent Generally. For the purposes of making valuations or computations under this Agreement (but not for the purposes of the preparation of any financial statements delivered pursuant hereto), and in particular, without limitation, for purposes of valuations or computations under Sections 2.15, 6.9(h), 6.15, 6.17 and 7.1(j), unless expressly provided otherwise, where a reference is made to a U.S. Dollar amount, in order to determine the amount of Canadian Dollars to be considered as the amount in U.S. Dollars, such amount of Canadian Dollars shall be the U.S. Dollar Equivalent of such amount.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

LOYALTY MANAGEMENT GROUP CANADA INC., as Borrower

By /s/ Robert P. Armiak

Name	Robert P. Armiak, CCM
Title	Senior Vice President, Treasurer
Address:	800 Tech Center Drive Gahanna, OH 43230
Attention:	Treasurer
Telephone:	(614) 729-4701
Facsimile:	(614) 729-4899

With a copy to:

Address:	17655 Waterview Parkway
Attention:	General Counsel
Telephone:	(972) 348-5677
Facsimile:	(972) 729-5150

ALLIANCE DATA SYSTEMS CORPORATION, as Guarantor

By /s/ Robert P. Armiak

Name	Robert P. Armiak, CCM
Title	Senior Vice President, Treasurer
Address:	800 Tech Center Drive Gahanna, OH 43230

Attention:	Treasurer
Telephone:	(614) 729-4701
Facsimile:	(614) 729-4899

With a copy to:

Address:	17655 Waterview Parkway Dallas, TX 75252
Attention:	General Counsel
Telephone:	(972) 348-5677
Facsimile:	(972) 348-5150

ADS ALLIANCE DATA SYSTEMS, INC., as a Guarantor

By /s/ Robert P. Armiak

Name	Robert P. Armiak, CCM
Title	Senior Vice President, Treasurer
Address:	800 Tech Center Drive Gahanna, OH 43230
Attention:	Treasurer
Telephone:	(614) 729-4701
Facsimile:	(614) 729-4899

With a copy to:

Address:	17655 Waterview Parkway Dallas, TX 75252
Attention:	General Counsel
Telephone:	(972) 348-5677
Facsimile:	(972) 348-5150

HARRIS TRUST AND SAVINGS BANK, as Administrative Agent

By /s/ Thad D. Rasche

Name	Thad D. Rasche
Title	Vice President
Address:	111 West Monroe Street Chicago, IL 60603
Attention:	Thad Rasche
Telephone:	(312) 461-5739
Facsimile:	(312) 461-5225

BANK OF MONTREAL

By /s/ BEN CIALLELLA

Names Ben Ciallella

Title Vice President

Address: 4th Floor
1 First Canadian Place
Toronto, Ontario M5X1H3
Canada
Attention: Ben Ciallella
Telephone: (416) 359-6816
Facsimile: (416) 359-7796

BANK ONE, NA

By /s/ MARK WASDEN

Name Mark Wasden

Title Director

Address: 1 Bank One Plaza
IL1 0085
Chicago, IL 60670
Attention: Mark Wasden

Telephone: (312) 336-2989

Facsimile: (312) 732-6222

Domestic Lending Office
161 Bay Street, Suite 4240
Toronto, Ontario M5J 2S1

Euro-Dollar Lending Office

161 Bay Street, Suite 4240
Toronto, Ontario M5J 2S1

Canadian Lending Office
161 Bay Street, Suite 4240
Toronto, Ontario M5J 2S1

Euro-Canadian Dollar Lending Office

161 Bay Street, Suite 4240
Toronto, Ontario M5J 2S1

CONGRESS FINANCIAL CORPORATION
(CANADA)

By /s/ H. ROSENFELD

Name H. Rosenfeld

Title Senior Vice President,
Congress Financial

Address: 141 Adelaide Street West
Suite 1500
Toronto, ONTARIO M5H 3L9
Attention: Mr. Harry Rosenfeld
Telephone: (416) 364-8177
Facsimile: (416) 364-3990

JPMORGAN CHASE BANK, TORONTO BRANCH

By /s/ CHRISTINE CHAN

Name Christine Chan

Title Vice President

Address: Royal Bank Plaza, South Tower,
200 Bay Street
Suite 1800, Toronto
Ontario, Canada M5J 2J2
Attention: Christine Chan
Telephone: (416) 981-9123
Facsimile: (416) 981-9138

CANADIAN IMPERAL BANK OF COMMERCE

By /s/ D. G. WHITE

Name D. G. White

Title Managing Director

By /s/ W.J.J. WOLFE

Name W.J.J. Wolfe

Title Executive Director

Address: BCE Place
161 Bay Street, 8th Floor
Toronto, Ontario M5J 2S8
Canada
Attention: Bill Wolfe

Telephone: (416) 956-6988
Facsimile: (416) 956-3810

SCHEDULE I

COMMITMENTS

BANK		AMOUNT
Bank of Montreal	$	25,000,000
Bank One, N.A.	$	20,000,000
Congress Financial Corporation (Canada)	$	20,000,000
JPMorgan Chase Bank, Toronto Branch	$	20,000,000
Canadian Imperial Bank of Commerce	$	15,000,000
TOTAL	$	100,000,000

SCHEDULE II

ALLIANCE DATA SYSTEMS CORPORATION

INVESTMENT POLICY

STATEMENT OF PURPOSE

The purpose of this policy is to institute proper guidelines for the ongoing management of the cash investments of Alliance Data Systems Corp. and its subsidiaries.

INVESTMENT OBJECTIVES

The assets are to be invested in a manner, which preserves capital, provides adequate liquidity, maintains appropriate diversification and generates returns relative to these guidelines and prevailing market conditions. The intent is that all of the investments shall be held to maturity.

RESPONSIBILITIES

A. It is the responsibility of the Board of Directors of the Company to adopt the Investment Policy.

B. It is the responsibility of the Treasurer or the Chief Financial Officer to implement the Investment Policy of the Company including the direction of purchases and sales of securities.

C. The approval of either the Treasurer or the Chief Financial Officer shall be required to transfer Company funds to Company banks or investment accounts.

D. The Treasurer and Chief Financial Officer may employ the services of a Bank or a Registered Investment Advisor to direct a portion or all of the investment activities of the Company consistent with the guidelines set forth in the Investment Policy. The firms selected must maintain a net worth of at least $1 billion.

E. The Treasurer and Chief Financial Officer will monitor ongoing investment activities to insure that proper liquidity is being maintained and that the investment strategy is consistent with the Company objectives.

F. The Treasurer or the Chief Financial Officer will report to the Board of Directors quarterly concerning the investment performance during the most recent quarter.

ALLIANCE DATA SYSTEMS CORPORATION AND SUBSIDIARIES

INVESTMENT GUIDELINES

A. *Appropriate Investments*

1. Direct obligations of the U.S. or Canadian Treasury including Treasury Bills, Notes and Bonds. Canadian Government Debt must be rated A or better.

2. Federal Agency Securities which carry the direct or implied guarantee of the U.S. Government including Government National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association, Student Loan Marketing Association, and World Bank. Investments can include Notes, Discount Notes, Medium Term Notes and Floating Rate Notes.

3. Certificates of Deposit, Guaranteed Investment Contracts, Banker's Acceptance and Time Deposits including Eurodollar denominated and Yankee issues. Investments will be limited to those institutions with total assets in excess of $1 billion and which carry a short term rating of "A2" or "P2" or "F2" or better, or a Keefe Bruyette and Woods rating of at least "A" or better.

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4. Corporate Securities (including commercial paper or loan participations) and corporate debt instruments (including medium term notes and floating rate notes) issued by Canadian or U.S. corporations and carry a minimum long term rating of "A" or short term rating of "A2" or "P2" or "F2" or "R1 (L)" or better.

5. Tax Exempt Securities including municipal notes, commercial paper, auction rate floaters, and floating rate notes rated A2 or P2 or F2 or better; Municipal Notes rated SP-2/MIG-2/VMIG-2 or better, or a long term rating of "A" or better.

6. Auction rate preferred stock or bonds issued with a rate reset mechanism and a maximum term of 180 days. Investment will be limited to those issuers who have a minimum long term rating of "A" or short term rating of "A2" or "P2" or "F2" or "R1 (L)" or better.

7. Money market mutual funds, which offer daily purchase and redemption and maintain a constant share price (no equities allowed).

8. Repurchase Agreements. The underlying collateral (of at least 102%) shall consist of US Government obligations and/or government agency securities. Investments in repurchase agreements may not exceed 3 days.

B. *Investment Concentration Limits*

1. Investments rated AAA (long term) or A1 (short term) or equivalent—no limit.

2. Investments rated AA or equivalent—not to exceed 70% of total portfolio.

3 Investments rated A (long term) or A2 (short term) or equivalent—not to exceed 30% of total portfolio.

4. Bank or Insurance Company obligations—not to exceed 50% of total portfolio.

5. Money Market Mutual Funds—no limit.

6. Repurchase Agreements—30% of total portfolio.

7. No individual investment shall be in excess of $10 million USD (or equivalent).

MATURITY LIMITS

1. No investments may exceed 5 years to maturity.

2. Commercial Paper/Loan Participations/Master Notes may not exceed 180 days.

3. A minimum of 30% of the portfolio must have a maturity of 1 year or less.

SAFEKEEPING

All securities firms with whom the Company does business must be qualified to safekeep securities on the Company's behalf at no charge. The CFO or Treasurer will authorize these firms to hold securities.

WAIVERS

In certain circumstances the appropriate investment criteria and portfolio concentration limits may be temporarily waived by the Chief Financial Officer for a period not to exceed four (4) weeks. Any waivers granted during a fiscal year will be reported to the ADS Board of Directors annually.

INVESTMENT POLICY REVIEW

This policy will be reviewed annually by the CFO and Treasurer to ensure that it remains consistent with the financial objectives of the Company and current market conditions.

APPENDIX I

PRICING SCHEDULE

"*Euro-Canadian Dollar Margin*" means, (i) for any day during the period from the Effective Date through but excluding the first Start Date (as defined below) to occur on or about June 30, 2003, 1.50% per annum and (ii) from and after the first day of any fiscal quarter of ADSC beginning on or about June 30, 2003 (the "*Start Date*") to and including the last day of such fiscal quarter, the applicable percentage per annum set forth below in the appropriate row under the column corresponding to ADSC's Senior Leverage Ratio as calculated for the last day of the fiscal quarter of ADSC ended immediately prior to such Start Date; provided that at all times during which financial statements have not been delivered when required pursuant to Section 6.1(a) or (b), as the case may be, the Euro-Canadian Dollar Margin shall be as set forth below under the column heading "*Level III.*"

"*Euro-Dollar Margin*" means, (i) for any day during the period from the Effective Date through but excluding the first Start Date (as defined below) to occur on or about June 30, 2003, 1.50% per annum and (ii) from and after the first day of any fiscal quarter of ADSC beginning on or about June 30, 2003 (the "*Start Date*") to and including the last day of such fiscal quarter, the applicable percentage per annum set forth below in the appropriate row under the column corresponding to ADSC's Senior Leverage Ratio as calculated for the last day of the fiscal quarter of ADSC ended immediately prior to such Start Date; provided that at all times during which financial statements have not been delivered when required pursuant to Section 6.1(a) or (b), as the case may be, the Euro-Dollar Margin shall be as set forth below under the column heading "*Level III.*"

"*Base Rate Margin*" means 0%.

"*Canadian Base Rate Margin*" means 0%.

"*Swing Margin*" means 0%.

"*Applicable Commitment Fee Percentage*" means, (i) for any day during the period from the Effective Date through but excluding the first Start Date (as defined below) to occur on or about June 30, 2003, .30% per annum and (ii) from and after the first day of any fiscal quarter of ADSC beginning on or about June 30, 2003 (the "*Start Date*") to and including the last day of such fiscal quarter, the applicable percentage per annum set forth below in the appropriate row under the column corresponding to ADSC's Senior Leverage Ratio as calculated for the last day of the fiscal quarter of ADSC ended immediately prior to such Start Date; provided that at all times during which financial statements have not been delivered when required pursuant to Section 6.1(a) or (b), as the case may be, the Applicable Commitment Fee Percentage shall be as set forth below under the column heading "*Level III.*"

Status	**Level I**	**Level II**	**Level III**
Senior Leverage Ratio	<1.00	³1.00<1.50	³1.50
Euro-Dollar Margin and Euro-Canadian Dollar Margin	1.00%	1.25%	1.50%
Applicable Commitment Fee Percentage	.10%	.20%	.30%

EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

Date: ,

Reference is made to the Credit Agreement (Canadian) described in Item 2 of Annex I attached hereto (as such Credit Agreement (Canadian) may hereafter be amended, modified or supplemented from time to time, the "*Credit Agreement*"). Unless defined in Annex I attached hereto, terms defined in the Credit Agreement are used herein as therein defined. (the "*Assignor*") and (the "*Assignee*") hereby agree as follows:

1. The Assignor hereby sells and assigns to the Assignee without recourse and without representation or warranty (other than as expressly provided herein), and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the date hereof which represents the percentage interest specified in Item 4 of Annex I attached hereto (the "*Assigned Share*") of all of Assignor's outstanding rights and obligations under the Credit Agreement indicated in Item 4 of such Annex I, including, without limitation, in the case of any assignment of all or any portion of the Assignor's outstanding Commitment, all rights and obligations with respect to the Assigned Share of such Commitment and of the Loans related thereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any liens or security interests; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the other Credit Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or the other Credit Documents or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any of its Subsidiaries or the performance or observance by the Borrower or any of its Subsidiaries of any of their obligations under the Credit Agreement or the other Credit Documents or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) represents and warrants that it is duly authorized to enter into and perform the terms of this Assignment and Assumption Agreement; (ii) confirms that it has received a copy of the Credit Agreement and the other Credit Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption Agreement; (iii) agrees that it will, independently and without reliance upon the Administrative Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iv) appoints and authorizes the Administrative Agent and the Collateral Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Credit Documents as are delegated to the Administrative Agent and the Collateral Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank.

4. Following the execution of this Assignment and Assumption Agreement by the Assignor and the Assignee, an executed original hereof (together with all attachments) will be delivered to the Administrative Agent. The effective date of this Assignment and Assumption Agreement shall be the date of execution hereof by the Assignor, the Assignee and the consent hereof by the Administrative Agent (and if required by the terms of the Credit Agreement, the consent of the Borrower, which consents will not be unreasonably withheld), the recordation by the

Administrative Agent of the assignment effected hereby in the Register and the receipt by the Administrative Agent of the applicable assignment fee referred to in Section 11.6(c) of the Credit Agreement, unless otherwise specified in Item 5 of Annex I attached hereto (the "*Settlement Date*").

5. Upon the delivery of a fully executed original hereof to the Administrative Agent, as of the Settlement Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment or Assumption Agreement, have the rights and obligations of a Bank thereunder and under the other Credit Documents and (ii) the Assignor shall, to the extent provided in this Assignment or Assumption Agreement, relinquish its rights and be released from its obligations under the Credit Agreement and the other Credit Documents.

6. It is agreed that upon the effectiveness hereof, the Assignee shall be entitled to (x) all interest on the Assigned Share of the Loans at the rates specified in Item 6 of Annex I attached hereto, and (y) all commitment fees (if applicable) on the Assigned Share of the Commitment, at the rates specified in Item 7 of Annex I attached hereto, which, in each case, accrue on and after the Settlement Date, such interest and, if applicable, commitment fees to be paid by the Administrative Agent directly to the Assignee. It is further agreed that all payments of principal made by the Borrower on the Assigned Share of the Loans which occur on and after the Settlement Date will be paid directly by the Administrative Agent to the Assignee. Upon the Settlement Date, the Assignee shall pay to the Assignor an amount specified by the Assignor in writing which represents the Assigned Share of the principal amount of the Loans made by the Assignor pursuant to the Credit Agreement which are outstanding on the Settlement Date, net of any closing costs, and which are being assigned hereunder. The Assignor and the Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Settlement Date directly between themselves.

7. This Assignment Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

* * *

In Witness Whereof, the parties hereto have caused this Assignment and Assumption Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[Name of Assignor], as Assignor

By _____

Title _____

[Name of Assignee], as Assignee

By _____

Title _____

Acknowledged and Agreed:

HARRIS TRUST AND SAVINGS BANK, as Administrative Agent

By _____

Title _____

Acknowledged and Agreed:

LOYALTY MANAGEMENT GROUP CANADA INC.

By _____

Title _____

ANNEX I

ANNEX FOR ASSIGNMENT AGREEMENT

1. The Borrower: Loyalty Management Group Canada Inc.

2. Name and Date of Credit Agreement: Credit Agreement (Canadian), dated as of April 10, 2003, among the Borrower, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer

3. Date of Assignment Agreement: ,

4. Amounts (as of date of item #3 above):

5. Settlement Date: ,

6. Rate of Interest to the Assignee: As set forth in Section 2.6 of the Credit Agreement (unless otherwise agreed to by the Assignor and the Assignee).(1)

7. Commitment Fees As set forth in Section 2.7(a) of the Credit Agreement (unless otherwise agreed to by the Assignor and the Assignee). (2)

8. Notices: Assignor:

Attention:

Telephone No.:

Facsimile No.:

(1) The Borrower and the Administrative Agent shall direct the entire amount of the interest to the Assignee at the rate set forth in Section 2.6 of the Credit Agreement, with the Assignor and Assignee effecting any agreed upon sharing of interest through payments by the Assignee to the Assignor.

(2) The Borrower and the Administrative Agent shall direct the entire amount of the commitment fees to the Assignee at the rate set forth in Section 2.7(a) of the Credit Agreement, with the Assignor and the Assignee effecting any agreed upon sharing of fees through payment by the Assignee to the Assignor.

Assignee:

Attention:

Telephone No.:

Facsimile No.:

9. Payment Instructions: Assignor:

ABA No.:

Account No.:

Reference:

Attention:

Assignee:

ABA No.:

Account No.:

Reference:

Attention:

EXHIBIT B-1

REVOLVING NOTE

, 2003

For value received, Loyalty Management Group Canada Inc., an Ontario corporation (the "*Borrower*"), promises to pay to the order of [Name of Bank] (the "*Bank*"), the unpaid principal amount of each Revolving Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement, subject to rights of acceleration of the maturity hereof. The Borrower promises to pay interest on the unpaid principal amount of each such Revolving Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of Canada in immediately available funds at the office of Harris Trust and Savings Bank (the "*Administrative Agent*") at such office as the Administrative Agent has previously notified the Borrower in accordance with Article 2 of the Credit Agreement.

All Revolving Loans made by the Bank, the respective types thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Revolving Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided, that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Revolving Notes referred to in the Credit Agreement (Canadian) dated as of April 10, 2003, among Loyalty Management Group Canada Inc., the Guarantors from time to time party thereto, the Banks from time to time party thereto, Bank of Montreal, as Letter of Credit Issuer, and Harris Trust and Savings Bank, as Administrative Agent (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

LOYALTY MANAGEMENT GROUP CANADA INC.

By

Name

Title

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan	Amount of Principal Repaid	Notation Made By

EXHIBIT B-2

SWING NOTE

, 2003

For value received, Loyalty Management Group Canada Inc., an Ontario corporation (the "*Borrower*"), promises to pay to the order of [Name of Bank] (the "*Bank*"), the unpaid principal amount of each Swing Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement, subject to rights of acceleration of the maturity hereof. The Borrower promises to pay interest on the unpaid principal amount of each such Swing Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of Canada in immediately available funds at the office of Harris Trust and Savings Bank (the "*Administrative Agent*") at such office as the Administrative Agent has previously notified the Borrower in accordance with Article 2 of the Credit Agreement.

All Swing Loans made by the Bank and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Swing Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; *provided,* that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Swing Notes referred to in the Credit Agreement (Canadian) dated as of April 10, 2003, among Loyalty Management Group Canada Inc., the Guarantors from time to time party thereto, the Banks from time to time party thereto, Bank of Montreal, as Letter of Credit Issuer, and Harris Trust and Savings Bank, as Administrative Agent and Letter of Credit Issuer (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

LOYALTY MANAGEMENT GROUP CANADA INC.

By _____

Name _____

Title _____

LOANS AND PAYMENTS OF PRINCIPAL

DATE	AMOUNT OF LOAN	AMOUNT OF PRINCIPAL REPAID	NOTATION MADE BY

EXHIBIT C

FORM OF GUARANTOR SUPPLEMENT

,

Harris Trust and Savings Bank, as Administrative Agent for the Banks party to the Credit Agreement (Canadian) dated as of April 10, 2003 among Loyalty Management Group Canada Inc., the Guarantors from time to time party thereto, the Banks from time to time party thereto, Bank of Montreal, as Letter of Credit Issuer, and Harris Trust and Savings Bank, as Administrative Agent (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*")

Ladies and Gentlemen:

Reference is made to the Credit Agreement described above. Terms not defined herein which are defined in the Credit Agreement shall have for the purposes hereof the meaning provided therein.

The undersigned, **[name of Subsidiary Guarantor]**, a **[jurisdiction of incorporation]** corporation, hereby acknowledges that it is a "*Guarantor*" for all purposes of the Credit Agreement, effective from the date hereof. The undersigned confirms that the representations and warranties set forth in Article 5 of the Credit Agreement are true and correct as to the undersigned as of the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

Without limiting the generality of the foregoing, the undersigned hereby agrees to perform all the obligations of a Guarantor under, and to be bound in all respects by the terms of, the Credit Agreement, including without limitation Article 10 thereof, to the same extent and with the same force and effect as if the undersigned were a direct signatory thereto.

This Agreement shall be construed in accordance with and governed by the internal laws of the State of New York.

Very truly yours,

[NAME OF SUBSIDIARY GUARANTOR]

By _____

Name _____

Title

EXHIBIT D

COMMITMENT AMOUNT INCREASE REQUEST

,

Harris Trust and Saving Bank,
as Administrative Agent
111 West Monroe Street
Chicago, Illinois 60603

Attention: Agency Services

Re: Credit Agreement (Canadian) dated as of April 10, 2003 among Loyalty Management Group Canada Inc., the Guarantors from time to time party thereto, the Banks from time to time party thereto, Bank of Montreal, as Letter of Credit Issuer, and Harris Trust and Savings Bank, as Administrative Agent (as the same may be amended, restated or supplemented from time to time, the "*Credit Agreement*")

Ladies and Gentlemen:

In accordance with the Credit Agreement, the Borrower on behalf of the Borrower and Guarantors hereby requests that the Administrative Agent, each Letter of Credit Issuer and the Swing Lender consent to an increase in the aggregate Commitments (the "*Commitment Amount Increase")*, in accordance with Section 2.15 of the Credit Agreement, to be effected by **[an increase in the Commitment of [name of existing Bank] the addition of [name of new Bank] (the *"New Bank"*) as a Bank under the terms of the Credit Agreement]**. Capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.

After giving effect to such Commitment Amount Increase, and upon the effectiveness of the Commitment Amount Increase, **[Name of existing Bank] [the New Bank]** shall have a Commitment of $.

[Include paragraphs 1 - 3 for a New Bank]

1. The New Bank hereby confirms that it has received a copy of the Credit Documents and the exhibits and schedules related thereto, together with copies of the documents which were required to be delivered under the Credit Agreement as a condition to the making of the Loans and other extensions of credit thereunder. The New Bank acknowledges and agrees that it has made and will continue to make, independently and without reliance upon the Administrative Agent or any other Bank and based on such documents and information as it has deemed appropriate, its own credit analysis and decisions relating to the Credit Agreement. The New Bank further acknowledges and agrees that the Administrative Agent has not made any representations or warranties about the creditworthiness of the Borrower or any Guarantor or any other party to the Credit Agreement or any other Credit Document or with respect to the legality, validity, sufficiency or enforceability of the Credit Agreement or any other Credit Document or the value of any security therefor.

2. Except as otherwise provided in the Credit Agreement, effective as of the date of acceptance hereof by the Administrative Agent, the New Bank (i) shall be deemed automatically to have become a party to the Credit Agreement and have all the rights and obligations of a "*Bank*" under the Credit Agreement as if it were an original signatory thereto and (ii) agrees to be bound by the terms and conditions set forth in the Credit Agreement as if it were an original signatory thereto.

3. The New Bank hereby advises you of the following administrative details with respect to its Loans and Revolving Loan Commitment:

(A) Notices:

Institution Name: _____

Address: _____

_____

Telephone: _____

Facsimile: _____

(B) Payment Instructions:

(C) Effective date of Commitment Amount Increase, which shall not be earlier than 5 Business Days after the date hereof:

THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACTUAL OBLIGATION UNDER, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Commitment Amount Increase shall be effective when the executed consent of the Administrative Agent, each Letter of Credit Issuer and the Swing Lender is received or otherwise in accordance with Section 2.15, of the Credit Agreement, but not in any case prior to , . It shall be a condition to the

effectiveness of the Commitment Amount Increase that (i) all fees and expenses referred to in Section 2.15 of the Credit Agreement shall have been paid and (ii) no Euro-Canadian Dollar Loans shall be outstanding on the date of such effectiveness.

The Borrower hereby certifies that no Default has occurred and is continuing.

Please indicate consent to such Commitment Amount Increase by signing the enclosed copy of this letter in the space provided below.

Very truly yours,

LOYALTY MANAGEMENT GROUP CANADA INC.

By _____

Name: _____

Title: _____

[NEW BANK/BANK INCREASING COMMITMENTS]

By: _____

Name: _____

Title: _____

The undersigned hereby consents on this day of , to the above-requested Commitment Amount Increase.

HARRIS TRUST AND SAVINGS BANK,
as Administrative Agent

By: _____

Name: _____

Title: _____

_____

as Letter of Credit Issuer

By: _____

Name: _____

Title: _____

_____

as Swing Lender

By: _____

Name: _____

Title: _____

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Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Alliance Data Systems Corporation on Form S-3 of our report dated February 28, 2003 (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the change in accounting for derivative instruments and hedging activities and the change in accounting for goodwill and other intangible assets) appearing in the Annual Report on Form 10-K of Alliance Data Systems Corporation for the year ended December 31, 2002 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

Dallas, Texas
April 14, 2003

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