

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

or

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

Commission file number 001-15749

ALLIANCE DATA SYSTEMS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

31-1429215
(I.R.S. Employer Identification No.)

7500 Dallas Parkway, Suite 700
Plano, Texas
(Address of principal executive offices)

75024
(Zip Code)

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	New York Stock Exchange

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

None
(Title of class)

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

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

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

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

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

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

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

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

As of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$17.6 billion (based upon the closing price on the New York Stock Exchange on June 30, 2015 of \$291.94 per share).

As of February 16, 2016, 59,261,410 shares of common stock were outstanding.

Documents Incorporated By Reference

Certain information called for by Part III is incorporated by reference to certain sections of the Proxy Statement for the 2016 Annual Meeting of our stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2015.



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Caution Regarding Forward-Looking Statements

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

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

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements contained in this Form 10-K speak only as of the date made, and we undertake no obligation, other than as required by applicable law, to update or revise any forward-looking statements, whether as a result of new information, subsequent events, anticipated or unanticipated circumstances or otherwise.

PART I**Item 1. Business.****Our Company**

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

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

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

Our Market Opportunity and Growth Strategy

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

- *Capitalize on our Leadership in Highly Targeted and Data-Driven Consumer Marketing.* As consumer-based businesses shift their marketing spend to data-driven marketing strategies, we believe we are well-positioned to acquire new clients and sell additional services to existing clients based on our extensive experience in capturing and analyzing our clients' customer transaction data to develop targeted marketing programs. We believe our comprehensive portfolio of high-quality targeted marketing and loyalty solutions provides a competitive advantage over other marketing services firms with more limited service offerings. We seek to extend our leadership position by continuing to improve the breadth and quality of our products and services. We intend to enhance our leadership position in loyalty and marketing solutions by expanding the scope of the Canadian AIR MILES Reward Program, by continuing to develop stand-alone loyalty programs such as the Hilton HHonors[®] and Citi Thank You[®] programs as well as short-term loyalty programs, and by increasing our penetration in the retail sector with our integrated marketing and credit services offering.
- *Sell More Fully Integrated End-to-End Marketing Solutions.* In our Epsilon[®] segment, we have assembled what we believe is the industry's most comprehensive suite of targeted and data-driven marketing services, including marketing strategy consulting, data services, marketing technology services, marketing analytics, creative design and delivery services such as video, mobile and permission-based email communications. We offer an end-to-end solution to clients, providing a significant opportunity to expand our relationships with existing clients, the majority of whom do not currently purchase our full suite of services. In addition, we further intend to integrate our product and service offerings so that we can provide clients with a comprehensive portfolio of targeted marketing solutions, including coalition and individual loyalty programs, private label and co-brand retail credit card programs and other data-driven marketing solutions. By selling integrated solutions across our entire client base, we have a significant opportunity to maximize the value of our long-standing client relationships.
- *Continue to Expand our Global Footprint.* Global reach is increasingly important as our clients grow into new markets, and we are well positioned to cost-effectively increase our global presence. We believe continued international expansion will provide us with strong revenue growth opportunities. In 2014, with our acquisition of our interests in BrandLoyalty Group B.V., or BrandLoyalty, and the acquisition of Conversant Inc., or Conversant, we expanded our presence in Europe, Asia, and Latin America, which provides an opportunity to leverage our core competencies in these markets. We also own approximately 37% of CBSM-Companhia Brasileira De Servicos De Marketing, the operator of the dotz coalition loyalty program, or dotz, which continues to expand its presence in Brazil with dotz operating in 13 markets as of December 31, 2015.
- *Optimize our Business Portfolio.* We intend to continue to evaluate our products and services given our strategic direction and demand trends. While we are focused on realizing organic revenue growth and margin expansion, we will consider select acquisitions of complementary businesses that would enhance our product portfolio, market positioning or geographic presence.

Products and Services

Our products and services are reported under three segments—LoyaltyOne®, Epsilon and Card Services, and are listed below. Financial information about our segments and geographic areas appears in Note 22, "Segment Information," of the Notes to Consolidated Financial Statements. In the first quarter of 2015, we renamed our Private Label Services and Credit segment to "Card Services."

Segment	Products and Services
LoyaltyOne	<ul style="list-style-type: none">• AIR MILES Reward Program• Short-term Loyalty Programs• Loyalty Services<ul style="list-style-type: none">—Loyalty consulting—Customer analytics—Creative services—Mobile solutions
Epsilon	<ul style="list-style-type: none">• Marketing Services<ul style="list-style-type: none">—Agency services—Marketing technology services—Data services—Strategy and analytical services—Traditional and digital marketing
Card Services	<ul style="list-style-type: none">• Receivables Financing<ul style="list-style-type: none">—Underwriting and risk management—Receivables funding• Processing Services<ul style="list-style-type: none">—New account processing—Bill processing—Remittance processing—Customer care• Marketing Services

LoyaltyOne

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

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

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

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

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

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

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

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

Epsilon

Epsilon is a leading marketing services firm providing end-to-end, integrated marketing solutions that leverage rich data, analytics, creativity and technology to help clients more effectively acquire, retain and grow relationships with their customers. Services include strategic consulting, customer database technologies, omnichannel marketing, loyalty management, proprietary data, predictive modeling, permission-based email marketing, personalized digital marketing and a full range of direct and digital agency services. On behalf of our clients, we develop marketing programs for individual consumers with highly targeted offers and personalized communications to create better customer experiences. Since these communications are more relevant to the consumer, the consumer is more likely to be responsive to these offers, resulting in a measurable return on our clients' marketing investments. We distribute marketing campaigns and communications through all marketing channels based on the consumer's preference, including direct mail and digital platforms such as email, mobile, display and social media. Epsilon has over 1,300 clients, operating primarily in the financial services, insurance, media and entertainment, automotive, consumer packaged goods, retail, travel and hospitality, pharmaceutical/healthcare and telecommunications industries.

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

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

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

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

Traditional and Digital Marketing. We provide strategic communication solutions and our end-to-end suite of products and services includes strategic consulting, creative services, campaign management and delivery optimization. We deploy marketing campaigns and communications through all marketing channels, including direct mail and digital platforms such as email, mobile and social media. We also operate what we believe to be one of the largest global permission-based email marketing platforms in the industry, sending tens of billions of emails per year on behalf of our clients, which enables clients to build campaigns using measurable distribution channels.

With our acquisition of Conversant, we enhanced our digital marketing capabilities, allowing for more effective targeted marketing programs across an expanded distribution network; provided scale in display, mobile, video and social digital channels; and added essential capabilities to Agility Harmony[®]. We offer a fully integrated personalization platform, personalized media programs and one of the world's largest affiliate marketing networks, all fueled by an in-depth understanding of what motivates people to engage, connect and buy. Further, we help companies grow by creating personalized experiences that deliver higher returns for brands and greater value for consumers.

Card Services

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

Receivables Financing. Our Card Services segment provides risk management solutions, account origination and funding services for our more than 160 private label and co-brand credit card programs. Through these credit card programs, as of December 31, 2015, we had \$13.2 billion in principal receivables from over 37.8 million active accounts, with an average balance for the year ended December 31, 2015 of approximately \$595 for accounts with outstanding balances. Ascena Retail Group, Inc. and its retail affiliates and L Brands and its retail affiliates each accounted for approximately 12% of our average credit card and loan receivables for the year ended December 31, 2015. We process millions of credit card applications each year using automated proprietary scoring technology and verification procedures to make risk-based origination decisions when approving new credit card account holders and establishing their credit limits. We augment these procedures with credit risk scores provided by credit bureaus. This information helps us segment prospects into narrower risk ranges, allowing us to better evaluate individual credit risk.

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

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

Processing Services. We perform processing services and provide service and maintenance for private label and co-brand credit card programs. We use automated technology for bill preparation, printing and mailing, and also offer consumers the ability to view, print and pay their bills online. By doing so, we improve the funds availability for both our clients and for those private label and co-brand credit card receivables that we own or securitize. We also provide collection activities on delinquent accounts to support our private label and co-brand credit card programs. Our customer care operations are influenced by our retail heritage and we view every customer touch point as an opportunity to generate or reinforce a sale. Our call centers are equipped to handle a variety of inquiry types, including phone, mail, fax, email, text and web. We provide focused training programs in all areas to achieve the highest possible customer service standards and monitor our performance by conducting surveys with our clients and their customers. In 2014, for the 10th time since 2003, we were certified as a Center of Excellence for the quality of our operations, the most prestigious ranking attainable, by BenchmarkPortal. Founded by Purdue University in 1995, BenchmarkPortal is a global leader of best practices for call centers.

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

Disaster and Contingency Planning

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

Protection of Intellectual Property and Other Proprietary Rights

We rely on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect our proprietary information and technology used in each segment of our business. In the United States, we have 14 issued patents and 46 pending patent applications, each with the U.S. Patent and Trademark Office. In Canada, we have one issued patent and seven pending patent applications. In addition, we have one issued patent in each of France, Germany, and Great Britain. We also have one pending Patent Cooperation Treaty application and one pending European Patent Convention application. We generally enter into confidentiality or license agreements with our employees, consultants and corporate partners, and generally control access to and distribution of our technology, documentation and other proprietary information. Despite the efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain the use of our products or technology that we consider proprietary and third parties may attempt to develop similar technology independently. We pursue registration and protection of our trademarks primarily in the United States and Canada, although we also have either registered trademarks or applications pending for certain marks in the European Union or some of its individual countries (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom), Argentina, Australia, Brazil, China, Hong Kong, India, Israel, Japan, Malaysia, Mexico, New Zealand, Norway, Peru, Philippines, Republic of Korea, Singapore, Switzerland, Taiwan, Thailand, Turkey and Venezuela, and internationally under the Madrid Protocol and the World Intellectual Property Organization in several countries, including several of the aforementioned countries. We are the exclusive Canadian licensee of the AIR MILES family of trademarks pursuant to a perpetual license agreement with Air Miles International Trading B.V., for which we pay a royalty fee. We believe that the AIR MILES family of trademarks and our other trademarks are important for our branding, corporate identification and marketing of our services in each business segment.

Competition

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

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

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

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

Regulation

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

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

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

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

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

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

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

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

Employees

As of December 31, 2015, we had over 16,000 employees. We believe our relations with our employees are good. We have no collective bargaining agreements with our employees.

Available Information

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

Item 1A. Risk Factors.**RISK FACTORS****Strategic Business Risk and Competitive Environment**

Our 10 largest clients represented 36% and 39%, respectively, of our consolidated revenue for the years ended December 31, 2015 and 2014, and the loss of any of these clients could cause a significant drop in our revenue.

We depend on a limited number of large clients for a significant portion of our consolidated revenue. Our 10 largest clients represented approximately 36% and 39%, respectively, of our consolidated revenue during the years ended December 31, 2015 and 2014, with no single client representing more than 10% of our consolidated revenue during either of these periods. A decrease in revenue from any of our significant clients for any reason, including a decrease in pricing or activity, or a decision either to utilize another service provider or to no longer outsource some or all of the services we provide, could have a material adverse effect on our consolidated revenue.

LoyaltyOne. LoyaltyOne represents 21% and 27%, respectively, of our consolidated revenue for the years ended December 31, 2015 and 2014. Our 10 largest clients in this segment represented approximately 60% and 58%, respectively, of our LoyaltyOne revenue for the years ended December 31, 2015 and 2014. Bank of Montreal and Sobeys Inc. represented approximately 22% and 13%, respectively, of this segment's revenue for the year ended December 31, 2015 and 25% and 10%, respectively, of this segment's revenue for the year ended December 31, 2014. Our contract with Bank of Montreal expires in 2017, subject to automatic renewals at five-year intervals. Our contract with Sobeys Inc. and its retail affiliates expires in 2024.

Epsilon. Epsilon represents 33% and 29%, respectively, of our consolidated revenue for the years ended December 31, 2015 and 2014. Our 10 largest clients in this segment represented approximately 28% and 34%, respectively, of our Epsilon revenue for the years ended December 31, 2015 and 2014, with no single client representing more than 10% of Epsilon's revenue during either of these periods.

Card Services. Card Services represents 46% and 45%, respectively, of our consolidated revenue for the years ended December 31, 2015 and 2014. Our 10 largest clients in this segment represented approximately 63% and 67%, respectively, of our Card Services revenue for the years ended December 31, 2015 and 2014. L Brands and its retail affiliates represented approximately 16% and 17%, respectively, of this segment's revenue for the years ended December 31, 2015 and 2014. Ascena Retail Group, Inc. and its retail affiliates represented approximately 15% and 17%, respectively, of this segment's revenue for the years ended December 31, 2015 and 2014. Our contract with L Brands and its retail affiliates expires in 2018 and our contracts with Ascena Retail Group, Inc. and its retail affiliates expire in 2016, 2019 and 2021.

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

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

Breakage is based on management's estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure, the introduction of new program options and changes to rewards offered. On December 31, 2011, a five-year expiry policy was applied to all outstanding and future AIR MILES reward miles issued. Changes in collector behavior or redemption patterns may impact management's estimate of breakage. Any significant change in or failure by management to reasonably estimate breakage, or if actual redemptions are greater than our estimates, our profitability could be adversely affected.

Our AIR MILES Reward Program also exposes us to risks arising from potentially increasing reward costs. Our profitability could be adversely affected if costs related to redemption of AIR MILES reward miles increase. A 10% increase in the cost of redemptions would have resulted in a decrease in pre-tax income of \$35.9 million for the year ended December 31, 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

The primary risk associated with unsecured consumer lending is the risk of default or bankruptcy of the borrower, resulting in the borrower's balance being charged-off as uncollectible. We rely principally on the customer's creditworthiness for repayment of the loan and therefore have no other recourse for collection. We may not be able to successfully identify and evaluate the creditworthiness of cardholders to minimize delinquencies and losses. An increase in defaults or net charge-offs could result in a reduction in net income. General economic factors, such as the rate of inflation, unemployment levels and interest rates, may result in greater delinquencies that lead to greater credit losses. In addition to being affected by general economic conditions and the success of our collection and recovery efforts, the stability of our delinquency and net charge-off rates are affected by the credit risk of our credit card and loan receivables and the average age of our various credit card account portfolios. Further, our pricing strategy may not offset the negative impact on profitability caused by increases in delinquencies and losses, thus any material increases in delinquencies and losses beyond our current estimates could have a material adverse impact on us. For 2015, our net charge-off rate was 4.5%, compared to 4.2% and 4.7% for 2014 and 2013, respectively. Delinquency rates were 4.2% of principal credit card and loan receivables at December 31, 2015 compared to 4.0% and 4.2% at December 31, 2014 and 2013, respectively.

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

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

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

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

Liquidity, Market and Credit Risk

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

Interest rate risk affects us directly in our borrowing activities. Our interest expense, net was \$330.2 million for the year ended December 31, 2015. To manage our risk from market interest rates, we actively monitor the interest rates and the interest sensitive components to minimize the impact that changes in interest rates have on the fair value of assets, net income and cash flow. In 2015, a 1% increase in interest rates would have resulted in an increase to interest expense of approximately \$76 million. Conversely, a corresponding decrease in interest rates would have resulted in a decrease to interest expense of approximately \$59 million. In addition, we may enter into derivative instruments on related financial instruments or to lock the interest rate on a portion of our variable debt. We do not enter into derivative or interest rate transactions for trading or other speculative purposes.

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

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

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

In addition, in August 2014, the SEC adopted a number of rules that will change the disclosure, reporting and offering process for publicly registered offerings of asset-backed securities, including those offered under our credit card securitization program. We are still assessing the impact of the new rules, and the possibility of continued rulemaking, on our publicly offered securitization program. The SEC also issued an advance notice of proposed rulemaking relating to the exemptions that our credit card securitization trusts rely on in our credit card securitization programs to avoid registration as investment companies. The form that these rules may ultimately take is uncertain at this time, but such rules may impact our ability or desire to issue asset-backed securities in the future.

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

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

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

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

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

We have a high level of indebtedness, which requires a high level of interest and principal payments. Subject to the limits contained in our 2013 credit agreement, the indentures governing our senior notes and our other debt instruments, we may be able to incur substantial additional indebtedness from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our level of indebtedness could intensify. Our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness. Our higher level of indebtedness, combined with our other financial obligations and contractual commitments, could:

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

We do not intend to pay cash dividends.

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

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

The results of our operations are exposed to foreign exchange rate fluctuations. We are exposed primarily to fluctuations in the exchange rate between the U.S. and Canadian dollars and the exchange rate between the U.S. dollar and the Euro. Upon translation, operating results may differ from our expectations. As we have expanded our international operations, our exposure to exchange rate fluctuations has increased. For the year ended December 31, 2015, foreign currency movements relative to the U.S. dollar negatively impacted our revenue and earnings before taxes by approximately \$240 million and \$35 million, respectively, as the U.S. dollar strengthened against these currencies over the course of the year.

Regulatory Environment

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

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

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

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

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

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

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

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

Comenity Bank and Comenity Capital Bank are also involved, from time to time, in reviews, investigations, and proceedings (both formal and informal) by governmental agencies regarding the bank's business, which could subject the bank to significant fines, penalties, obligations to change its business practices or other requirements. In September 2015, each bank entered into a consent order with the FDIC agreeing to collectively provide restitution of approximately \$61.5 million to eligible customers, to pay \$2.5 million in civil money penalties to the FDIC and to make further enhancements to their compliance and other processes related to the marketing, promotion and sale of add-on products.

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

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

The enactment of new or amended legislation or industry regulations pertaining to consumer or private sector privacy issues could have a material adverse impact on our marketing services. Legislation or industry regulations regarding consumer or private sector privacy issues could place restrictions upon the collection, sharing and use of information that is currently legally available, which could materially increase our cost of collecting some data. These types of legislation or industry regulations could also prohibit us from collecting or disseminating certain types of data, which could adversely affect our ability to meet our clients' requirements and our profitability and cash flow targets. While 48 states and the District of Columbia have enacted data breach notification laws, there is no such federal law generally applicable to our businesses. Data breach notification legislation has been proposed widely and exists in specific countries and jurisdictions in which we conduct business. If enacted, these legislative measures could impose strict requirements on reporting time frames for providing notice, as well as the contents of such notices. In addition to the United States, Canadian and European Union regulations discussed below, we have expanded our marketing services through the acquisition of companies formed and operating in foreign jurisdictions that may be subject to additional or more stringent legislation and regulations regarding consumer or private sector privacy.

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

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

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

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

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

In the European Union, the Directive 95/46/EC of the EU Parliament and of the Council of 24 October 1995 requires member states to implement and enforce a comprehensive data protection law that is based on principles designed to safeguard personal data, defined as any information relating to an identified or identifiable natural person. The Directive frames certain requirements for transfer outside of the European Economic Area and individual rights such as consent requirements. In January 2012, the European Commission proposed the GDPR, a new European Union-wide legal framework to govern data sharing and collection and related consumer privacy rights. In December 2015, the EU Parliament and the EU Council reached informal agreement on the text of the GDPR. The final version of the GDPR is expected to be submitted to the EU Parliament and the EU Council for formal vote in early 2016 and will take effect two years following its adoption. Once approved, the GDPR will replace the Directive and, because it is a regulation rather than a directive, will directly apply to and bind the 28 EU Member States. Compared to the Directive, the GDPR includes a strengthened notion of consent, the development of a 'one stop shop' mechanism for the jurisdiction of EU regulators and increased compliance and accountability requirements on data controllers. These and other terms of the GDPR could limit our ability to provide services and information to our customers. In addition, the GDPR includes significant new penalties for non-compliance, with fines up to the higher of €20 million (\$22 million as of December 31, 2015) or 4% of total annual worldwide revenue.

In October 2015, the European Court of Justice of the European Union ruled that the EU-U.S. Safe Harbor Framework, an agreement setting forth standards by which U.S. companies could legally transfer personal data from the EU to the U.S., was invalid. Although reliance on the Safe Harbor was not the exclusive method by which such transfers of personal data could be legally made, the loss of the Safe Harbor could adversely affect our ability to transfer such data out of the EU and into the U.S. in providing service for our customers. Any failure to comply with our ongoing obligations with respect to data transfers previously made under the Safe Harbor could expose us to enforcement actions by the FTC or other regulatory authorities.

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

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

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

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

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

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

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

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

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

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

Operational and Other Risk

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

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

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

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

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

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

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

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

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

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

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

As of February 16, 2016, we had an aggregate of 79,936,906 shares of our common stock authorized but unissued and not reserved for specific purposes. In general, we may issue all of these shares without any action or approval by our stockholders. We have reserved 7,291,571 shares of our common stock for issuance under our employee stock purchase plan and our long-term incentive plans, of which 1,112,120 shares are issuable upon vesting of restricted stock awards, restricted stock units, and upon exercise of options granted as of February 16, 2016, including options to purchase approximately 56,902 shares exercisable as of February 16, 2016 or that will become exercisable within 60 days after February 16, 2016. We have reserved for issuance 1,500,000 shares of our common stock, 667,857 of which remain issuable, under our 401(k) and Retirement Savings Plan as of December 31, 2015. In addition, we may pursue acquisitions of competitors and related businesses and may issue shares of our common stock in connection with these acquisitions. Sales or issuances of a substantial number of shares of common stock, or the perception that such sales could occur, could adversely affect prevailing market prices of our common stock, and any sale or issuance of our common stock will dilute the ownership interests of existing stockholders.

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

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

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

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

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2015, we own one general office property and lease approximately 124 general office properties worldwide, comprised of approximately 4.4 million square feet. These facilities are used to carry out our operational, sales and administrative functions. Our principal facilities are as follows:

<u>Location</u>	<u>Segment</u>	<u>Approximate Square Footage</u>	<u>Lease Expiration Date</u>
Plano, Texas	Corporate	108,269	June 29, 2021
Columbus, Ohio	Corporate, Card Services	272,602	February 28, 2018
Toronto, Ontario, Canada	LoyaltyOne	194,018	September 30, 2017
Mississauga, Ontario, Canada	LoyaltyOne	50,908	November 30, 2019
Den Bosch, Netherlands	LoyaltyOne	132,482	December 31, 2028
Maasbree, Netherlands	LoyaltyOne	488,681	September 1, 2028
Wakefield, Massachusetts	Epsilon	184,411	December 31, 2020
Irving, Texas	Epsilon	221,898	June 30, 2026
Earth City, Missouri	Epsilon	116,783	December 31, 2016
West Chicago, Illinois	Epsilon	155,412	October 31, 2025
Columbus, Ohio	Card Services	103,161	January 31, 2019
Westminster, Colorado	Card Services	119,207	November 30, 2027
Couer D'Alene, Idaho	Card Services	114,000	March 31, 2027
Westerville, Ohio	Card Services	100,800	July 31, 2024
Wilmington, Delaware	Card Services	5,198	November 30, 2020
Salt Lake City, Utah	Card Services	6,488	January 18, 2018

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

Item 3. Legal Proceedings.

From time to time we are involved in various claims and lawsuits arising in the ordinary course of our business that we believe will not have a material effect on our business or financial condition, including claims and lawsuits alleging breaches of our contractual obligations. See Note 14, "Commitments and Contingencies," of the Notes to Consolidated Financial Statements for additional information.

Item 4. Mine Safety Disclosures.

Not applicable.

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

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

	<u>High</u>	<u>Low</u>
Year Ended December 31, 2015		
First quarter	\$ 301.74	\$ 268.93
Second quarter	312.00	289.38
Third quarter	307.78	241.91
Fourth quarter	303.75	256.24
Year Ended December 31, 2014		
First quarter	\$ 300.49	\$ 230.53
Second quarter	284.40	230.79
Third quarter	288.67	239.83
Fourth quarter	292.96	230.54

Holders

As of February 16, 2016, the closing price of our common stock was \$187.49 per share, there were 59,261,410 shares of our common stock outstanding, and there were approximately 98 holders of record of our common stock.

Dividends

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

Issuer Purchases of Equity Securities

On January 1, 2015, our Board of Directors authorized a stock repurchase program to acquire up to \$600.0 million of our outstanding common stock from January 1, 2015 through December 31, 2015. On April 15, 2015, our Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2015 to acquire an additional \$400.0 million of our outstanding common stock through December 31, 2015, for a total authorization of \$1.0 billion.

On January 1, 2016, our Board of Directors authorized a stock repurchase program to acquire up to \$500.0 million of our outstanding common stock from January 1, 2016 through December 31, 2016. On February 15, 2016, our Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2016 to acquire an additional \$500.0 million of our outstanding common stock through December 31, 2016, for a total authorization of \$1.0 billion. Each stock repurchase program was subject to any restrictions pursuant to the terms of our credit agreements, indentures, and applicable securities laws or otherwise.

The following table presents information with respect to purchases of our common stock made during the three months ended December 31, 2015:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
(In millions)				
During 2015:				
October 1-31	14,600	\$ 264.13	11,769	\$ 132.5
November 1-30	45,279	285.27	43,950	120.0
December 1-31	264,204	274.00	261,000	48.4
Total	324,083	\$ 275.13	316,719	\$ 48.4

(1) During the period represented by the table, 7,364 shares of our common stock were purchased by the administrator of our 401(k) and Retirement Saving Plan for the benefit of the employees who participated in that portion of the plan.

(2) On January 1, 2015, our Board of Directors authorized a stock repurchase program to acquire up to \$600.0 million of our outstanding common stock from January 1, 2015 through December 31, 2015. On April 15, 2015, our Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2015 to acquire an additional \$400.0 million of our outstanding common stock through December 31, 2015, for a total authorization of \$1.0 billion. On January 1, 2016, our Board of Directors authorized a stock repurchase program to acquire up to \$500.0 million of our outstanding common stock from January 1, 2016 through December 31, 2016. On February 15, 2016, our Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2016 to acquire an additional \$500.0 million of our outstanding common stock through December 31, 2016, for a total authorization of \$1.0 billion. Each stock repurchase program was subject to any restrictions pursuant to the terms of our credit agreements, indentures, and applicable securities laws or otherwise.

Performance Graph

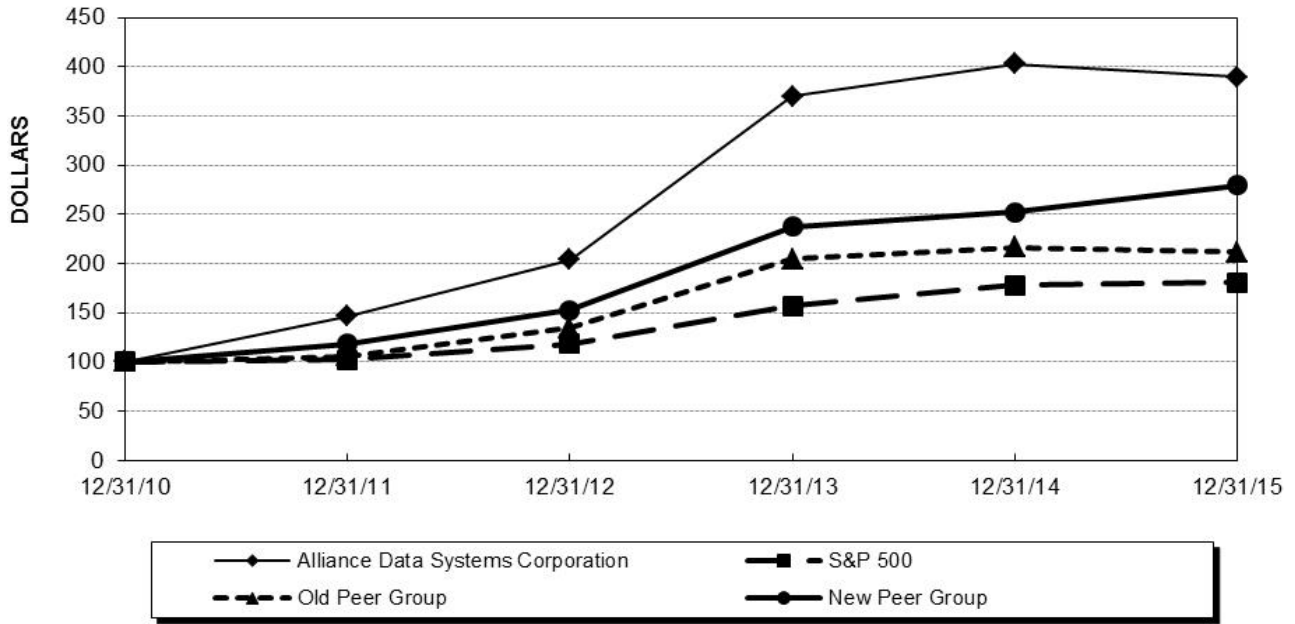
The following graph compares the yearly percentage change in cumulative total stockholder return on our common stock since December 31, 2010, with the cumulative total return over the same period of (1) the S&P 500 Index and (2) a peer group of fourteen companies selected by us and utilized in our prior Annual Report on Form 10-K, which we will refer to as the Old Peer Group Index, and (3) a new peer group of sixteen companies selected by us, which we will refer to as the New Peer Group Index.

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

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

Pursuant to rules of the SEC, the comparison assumes \$100 was invested on December 31, 2010 in our common stock and in each of the indices and assumes reinvestment of dividends, if any. Also pursuant to SEC rules, the returns of each of the companies in the peer group are weighted according to the respective company's stock market capitalization at the beginning of each period for which a return is indicated. Historical stock prices are not indicative of future stock price performance.

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



*\$100 invested on 12/31/10 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	Alliance Data Systems Corporation	S&P 500	Old Peer Group Index	New Peer Group Index
December 31, 2010	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
December 31, 2011	146.19	102.11	106.16	118.27
December 31, 2012	203.80	118.45	134.22	152.84
December 31, 2013	370.17	156.82	204.61	237.61
December 31, 2014	402.72	178.29	216.18	252.41
December 31, 2015	389.37	180.75	211.48	279.46

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

Item 6. Selected Financial Data.
SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

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

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(In thousands, except per share amounts)				
Income statement data					
Total revenue	\$ 6,439,746	\$ 5,302,940	\$ 4,319,063	\$ 3,641,390	\$ 3,173,287
Cost of operations (exclusive of amortization and depreciation disclosed separately below) ⁽¹⁾	3,814,500	3,218,774	2,549,159	2,106,612	1,811,882
Provision for loan loss	668,200	425,205	345,758	285,479	300,316
General and administrative ⁽¹⁾	138,483	141,468	109,115	108,059	95,256
Regulatory settlement	64,563	—	—	—	—
Earn-out obligation	—	105,944	—	—	—
Depreciation and other amortization	142,051	109,655	84,291	73,802	70,427
Amortization of purchased intangibles	350,089	203,427	131,828	93,074	82,726
Total operating expenses	5,177,886	4,204,473	3,220,151	2,667,026	2,360,607
Operating income	1,261,860	1,098,467	1,098,912	974,364	812,680
Interest expense, net	330,184	260,526	305,500	291,460	298,585
Income before income taxes	931,676	837,941	793,412	682,904	514,095
Provision for income taxes	326,248	321,801	297,242	260,648	198,809
Net income	\$ 605,428	\$ 516,140	\$ 496,170	\$ 422,256	\$ 315,286
Less: net income attributable to non-controlling interest	8,887	9,847	—	—	—
Net income attributable to common stockholders	\$ 596,541	\$ 506,293	\$ 496,170	\$ 422,256	\$ 315,286
Net income attributable to common stockholders per share:					
Basic	\$ 8.91	\$ 8.72	\$ 10.09	\$ 8.44	\$ 6.22
Diluted	\$ 8.85	\$ 7.87	\$ 7.42	\$ 6.58	\$ 5.45
Weighted average shares:					
Basic	61,874	56,378	49,190	50,008	50,687
Diluted	62,301	62,445	66,866	64,143	57,804

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(In thousands)				
Adjusted EBITDA and Adjusted EBITDA, net (2)					
Adjusted EBITDA	\$ 1,909,944	\$ 1,597,256	\$ 1,374,214	\$ 1,191,737	\$ 1,009,319
Adjusted EBITDA, net	\$ 1,728,270	\$ 1,425,560	\$ 1,249,777	\$ 1,073,748	\$ 859,530
Other financial data					
Cash flows from operating activities	\$ 1,705,841	\$ 1,344,159	\$ 1,003,492	\$ 1,134,190	\$ 1,011,347
Cash flows from investing activities	\$ (3,362,548)	\$ (4,737,121)	\$ (1,619,416)	\$ (2,671,350)	\$ (1,040,710)
Cash flows from financing activities	\$ 1,772,901	\$ 3,516,146	\$ 704,152	\$ 2,209,019	\$ 109,250
Segment operating data					
Credit card statements generated	242,266	212,015	192,508	166,091	142,064
Credit sales	\$ 24,736,089	\$ 18,948,167	\$ 15,252,299	\$ 12,523,632	\$ 9,636,053
Average credit card and loan receivables	\$ 11,364,581	\$ 8,750,148	\$ 7,212,678	\$ 5,927,562	\$ 4,962,503
AIR MILES reward miles issued	5,743,099	5,500,889	5,420,723	5,222,887	4,940,364
AIR MILES reward miles redeemed	4,406,288	4,100,680	4,017,494	4,040,876	3,633,921

	As of December 31,				
	2015	2014	2013	2012	2011
	(In thousands)				
Balance sheet data					
Credit card and loan receivables, net	\$ 13,057,852	\$ 10,673,709	\$ 8,069,713	\$ 6,697,674	\$ 5,197,690
Redemption settlement assets, restricted	456,564	520,340	510,349	492,690	515,838
Total assets	22,421,830	20,263,977	13,244,257	12,000,139	8,980,249
Deferred revenue	844,907	1,013,177	1,137,186	1,249,061	1,226,436
Deposits	5,622,310	4,773,541	2,816,361	2,228,411	1,353,775
Non-recourse borrowings of consolidated securitization entities	6,493,166	5,191,916	4,591,916	4,130,970	3,260,287
Long-term and other debt, including current maturities	5,062,501	4,209,246	2,800,281	2,854,839	2,183,474
Total liabilities	20,244,423	17,632,031	12,388,496	11,471,652	8,804,283
Redeemable non-controlling interest	167,377	235,566	—	—	—
Total stockholders' equity	2,010,030	2,396,380	855,761	528,487	175,966

- (1) Included in cost of operations is stock compensation expense of \$72.6 million, \$50.8 million, \$40.3 million, \$32.7 million and \$25.8 million for the years ended December 31, 2015, 2014, 2013, 2012, and 2011, respectively. Included in general and administrative is stock compensation expense of \$18.8 million, \$21.7 million, \$18.9 million, \$17.8 million and \$17.7 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively.
- (2) See "Use of Non-GAAP Financial Measures" set forth in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for a discussion of our use of adjusted EBITDA and adjusted EBITDA, net and a reconciliation to net income, the most directly comparable GAAP financial measure.

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

Overview

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

2015 Highlights and Recent Developments

- Total revenue increased 21% to \$6.4 billion in 2015 compared to \$5.3 billion in 2014.
- Total adjusted EBITDA, net increased 21% to \$1.7 billion in 2015 compared to \$1.4 billion in 2014.
- Earnings per share ("EPS") increased to \$8.85 in 2015 compared to \$7.87 in 2014.
- We repurchased approximately 3.4 million shares for \$951.6 million in 2015.
- Effective January 1, 2015, we acquired an additional 10% ownership interest in BrandLoyalty for approximately \$87.4 million, bringing our total ownership interest to 70%.
- Effective January 1, 2016, we acquired an additional 10% ownership interest in BrandLoyalty for approximately \$102.2 million, bringing our total ownership interest to 80%.
- In January 2016, we purchased an existing private label credit card portfolio for total consideration paid of \$547.5 million, subject to customary purchase price adjustments.

LoyaltyOne

LoyaltyOne generates revenue primarily from our coalition and short-term loyalty programs through our AIR MILES Reward Program and BrandLoyalty.

Revenue for the LoyaltyOne segment decreased 4% to \$1.4 billion and adjusted EBITDA, net decreased 12% to \$270.6 million for the year ended December 31, 2015, in each case as compared to the prior year period. The strengthening of the U.S. dollar against both the Euro and Canadian dollar negatively impacted revenue and adjusted EBITDA, net by approximately \$234.7 million and \$44.4 million, respectively.

Excluding foreign currency impacts, revenue and adjusted EBITDA, net increased by approximately 13% and 2%, respectively, due to growth from both our short-term and coalition loyalty programs. Our short-term loyalty programs have expanded into North America, currently operating in Canada, with a pilot program expected to launch in the U.S. during the first quarter of 2016.

For the AIR MILES Reward Program, AIR MILES reward miles issued and AIR MILES reward miles redeemed are the two primary drivers of revenue and indicators of success of the program. The number of AIR MILES reward miles issued impacts the number of future AIR MILES reward miles available to be redeemed. This can also impact future revenue recognized with respect to the number of AIR MILES reward miles redeemed and the amount of breakage for those AIR MILES reward miles expected to remain unredeemed.

AIR MILES reward miles issued during the year ended December 31, 2015 increased 4% compared to 2014 due to the expansion of our relationship with Sobeys, a national Canadian grocery retailer, increased promotional activity by our sponsors and growth in our instant reward program option, AIR MILES Cash. For the year ended December 31, 2015, the AIR MILES Cash program option represented approximately 20% of the AIR MILES reward miles issued and 22% of the AIR MILES reward miles redeemed. AIR MILES reward miles redeemed increased 7% due to higher redemptions within the AIR MILES Cash program option. We expect low- to mid-single digit issuance growth in 2016.

During the year ended December 31, 2015, LoyaltyOne announced a multi-year contract renewal with Metro Ontario Inc., a national grocery retailer in Canada, which extends our partnership in the Ontario market. In addition, we announced an expansion of our relationship with Sobeys to begin to issue AIR MILES reward miles at Sobeys, Sobeys Urban Fresh and Foodland stores across Ontario in 2015. We also announced a multi-year renewal of our agreement with Shell Canada Products as a sponsor in the AIR MILES Reward Program and signed a new multi-year agreement with Shell Canada Products, as the licensor and franchisor of the JiffyLube® brand in Canada, to allow AIR MILES reward miles to be issued at the more than 150 participating JiffyLube service centers throughout Canada. We also announced a new multi-year agreement with Lowe's Canada, a Canadian home improvement company, to become a sponsor in the AIR MILES Reward Program.

On August 31, 2015, BrandLoyalty acquired all of the stock of Edison International Concept & Agencies B.V., or Edison, and Max Holding B.V., or Merison, two Netherlands-based loyalty marketers, for cash consideration of approximately \$45.4 million. The acquisition expands BrandLoyalty's short-term loyalty programs into new markets and introduces new brands to existing markets.

We also own approximately 37% of CBSM-Companhia Brasileira De Servicos De Marketing, or dotz, the operator of the dotz coalition loyalty program in Brazil. Our investment in dotz had no impact on our results of operations in 2015 or 2014, and a de minimis impact on our results of operations in 2013. We do not expect our investment in dotz to have an impact on our results of operations in 2016.

Epsilon

Epsilon is a leading marketing services firm providing end-to-end, integrated marketing solutions that leverage rich data, analytics, creativity and technology to help clients more effectively acquire, retain and grow relationships with their customers. Services include strategic consulting, customer database technologies, omnichannel marketing, loyalty management, proprietary data, predictive modeling, permission-based email marketing, personalized digital marketing and a full range of direct and digital agency services.

Revenue increased 41% to \$2.1 billion and adjusted EBITDA, net increased 64%, to \$508.4 million for the year ended December 31, 2015 as compared to the prior year. These increases were primarily due to the acquisition of Conversant in December 2014. Excluding Conversant, Epsilon's revenue and adjusted EBITDA, net both increased 5%, driven by growth in services for existing clients, database builds completed and placed into production for new clients, and strength in the automotive vertical, which offset weakness in our agency offerings.

During the year ended December 31, 2015, Epsilon announced new multi-year agreements with Nature's Way, a dietary supplement brand, to serve as the digital agency of record across a number of brands and to provide CRM marketing services, and with Turner Broadcasting System, Inc., a Time Warner company, to provide analytics and data services to support the Turner Data Cloud infrastructure.

Card Services

In the first quarter of 2015, we renamed our Private Label Services and Credit segment to "Card Services," which had no impact to the reported results of the segment in the current or prior periods presented.

The Card Services segment provides risk management solutions, account origination, funding services, transaction processing, marketing, customer care and collection services for our more than 160 private label retail and co-branded credit card programs.

Revenue, generated primarily from finance charges and late fees as well as other servicing fees, increased 24% to \$3.0 billion and adjusted EBITDA, net increased 16% to \$1.1 billion for the year ended December 31, 2015 as compared to the prior year. These increases were driven by higher average credit card and loan receivables which increased 30% as compared to the prior year as a result of increased credit sales, recent client signings and recent credit card portfolio acquisitions. Credit sales increased 31% for the year ended December 31, 2015 due to cardholder growth, strong credit cardholder spending, recent client signings and recent credit card portfolio acquisitions.

Delinquency rates were 4.2% of principal credit card and loan receivables at December 31, 2015 as compared to 4.0% at December 31, 2014. The principal net charge-off rate was 4.5% for the year ended December 31, 2015 as compared to 4.2% for the prior year. For the year ended December 31, 2016, we expect our charge-off rate to approximate 5.0%.

During the year ended December 31, 2015, Card Services announced the signing of new multi-year agreements to provide co-brand credit card services to Red Roof Inn, a hotel chain; Cornerstone, a business unit of HSN, Inc.; Farmers Insurance, a multi-line insurer in the U.S; and Univision Communications Inc., a media company. We also announced the renewal of multi-year agreements to continue providing private label credit card services to Talbots, Inc., a women's apparel retailer; FULLBEAUTY Brands, a fashion and lifestyle resource for plus-size women; and The Bon-Ton Stores, Inc, a regional department store operator. Additionally, we signed a new multi-year agreement to provide private label credit card services for Wayfair, an online retailer of home furnishings and decor. We signed a new multi-year agreement to provide private label credit card services and assume management of an existing co-brand card program in the United States and acquire an existing co-brand credit card portfolio for Toyota, a leading automaker.

Use of Non-GAAP Financial Measures

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

In 2015, adjusted EBITDA excluded costs associated with the consent orders with the FDIC, and in 2014, adjusted EBITDA excluded business acquisition costs related to the Conversant acquisition and the contingent consideration incurred as a result of the earn-out obligation associated with the BrandLoyalty acquisition. These costs, as well as stock compensation expense, were not included in the measurement of segment adjusted EBITDA as the chief operating decision maker did not factor these expenses for purposes of assessing segment performance and decision making with respect to resource allocations.

Adjusted EBITDA, net is also a non-GAAP financial measure equal to adjusted EBITDA less securitization funding costs, interest expense on deposits and the percentage of adjusted EBITDA attributable to the non-controlling interest.

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

We believe that adjusted EBITDA and adjusted EBITDA, net provide useful information to our investors regarding our performance and overall results of operations. Adjusted EBITDA and adjusted EBITDA, net are not intended to be performance measures that should be regarded as an alternative to, or more meaningful than, either operating income or net income as indicators of operating performance or to cash flows from operating activities as a measure of liquidity. In addition, adjusted EBITDA and adjusted EBITDA, net are not intended to represent funds available for dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

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

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(In thousands)				
Net income	\$ 605,428	\$ 516,140	\$ 496,170	\$ 422,256	\$ 315,286
Stock compensation expense	91,381	72,462	59,183	50,497	43,486
Provision for income taxes	326,248	321,801	297,242	260,648	198,809
Interest expense, net	330,184	260,526	305,500	291,460	298,585
Depreciation and other amortization	142,051	109,655	84,291	73,802	70,427
Amortization of purchased intangibles	350,089	203,427	131,828	93,074	82,726
Regulatory settlement ⁽¹⁾	64,563	—	—	—	—
Earn-out obligation ⁽²⁾	—	105,944	—	—	—
Business acquisition costs ⁽³⁾	—	7,301	—	—	—
Adjusted EBITDA	<u>\$ 1,909,944</u>	<u>\$ 1,597,256</u>	<u>\$ 1,374,214</u>	<u>\$ 1,191,737</u>	<u>\$ 1,009,319</u>
Less: Securitization funding costs	97,109	91,103	95,326	92,808	126,711
Less: Interest expense on deposits	53,630	37,543	29,111	25,181	23,078
Less: Adjusted EBITDA attributable to non-controlling interest	30,935	43,050	—	—	—
Adjusted EBITDA, net	<u><u>\$ 1,728,270</u></u>	<u><u>\$ 1,425,560</u></u>	<u><u>\$ 1,249,777</u></u>	<u><u>\$ 1,073,748</u></u>	<u><u>\$ 859,530</u></u>

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

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

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

Consolidated Results of Operations

	Year Ended December 31,			% Change	
	2015	2014	2013	2015 to 2014	2014 to 2013
Revenues	(in thousands, except percentages)				
Transaction	\$ 336,778	\$ 337,391	\$ 329,027	—%	3%
Redemption	1,028,412	1,053,248	587,187	(2)	79
Finance charges, net	2,871,270	2,303,698	1,956,654	25	18
Marketing services	2,006,496	1,438,688	1,289,356	39	12
Other revenue	196,790	169,915	156,839	16	8
Total revenue	<u>6,439,746</u>	<u>5,302,940</u>	<u>4,319,063</u>	<u>21</u>	<u>23</u>
Operating expenses					
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	3,814,500	3,218,774	2,549,159	19	26
Provision for loan loss	668,200	425,205	345,758	57	23
General and administrative	138,483	141,468	109,115	(2)	30
Regulatory settlement	64,563	—	—	100	—
Earn-out obligation	—	105,944	—	(100)	100
Depreciation and other amortization	142,051	109,655	84,291	30	30
Amortization of purchased intangibles	350,089	203,427	131,828	72	54
Total operating expenses	<u>5,177,886</u>	<u>4,204,473</u>	<u>3,220,151</u>	<u>23</u>	<u>31</u>
Operating income	1,261,860	1,098,467	1,098,912	15	—
Interest expense					
Securitization funding costs	97,109	91,103	95,326	7	(4)
Interest expense on deposits	53,630	37,543	29,111	43	29
Interest expense on long-term and other debt, net	179,445	131,880	181,063	36	(27)
Total interest expense, net	<u>330,184</u>	<u>260,526</u>	<u>305,500</u>	<u>27</u>	<u>(15)</u>
Income before income tax	931,676	837,941	793,412	11	6
Provision for income taxes	326,248	321,801	297,242	1	8
Net income	<u>\$ 605,428</u>	<u>\$ 516,140</u>	<u>\$ 496,170</u>	<u>17%</u>	<u>4%</u>
Key Operating Metrics:					
Credit card statements generated	242,266	212,015	192,508	14%	10%
Credit sales	\$ 24,736,089	\$ 18,948,167	\$ 15,252,299	31%	24%
Average credit card and loan receivables	\$ 11,364,581	\$ 8,750,148	\$ 7,212,678	30%	21%
AIR MILES reward miles issued	5,743,099	5,500,889	5,420,723	4%	2%
AIR MILES reward miles redeemed	4,406,288	4,100,680	4,017,494	7%	2%

Year ended December 31, 2015 compared to the year ended December 31, 2014

Revenue. Total revenue increased \$1.1 billion, or 21%, to \$6.4 billion for the year ended December 31, 2015 from \$5.3 billion for the year ended December 31, 2014. The net increase was due to the following:

- *Transaction.* Revenue decreased \$0.6 million to \$336.8 million for the year ended December 31, 2015 as AIR MILES reward miles issuance fees, for which we provide marketing and administrative services, decreased \$12.1 million due to the decline in the Canadian dollar relative to the U.S. dollar. This decrease was offset in part by servicing fees charged to our credit cardholders, which increased \$12.7 million due to higher volumes.
- *Redemption.* Revenue decreased \$24.8 million, or 2%, to \$1.0 billion for the year ended December 31, 2015. Redemption revenue was negatively impacted by the decline in both the Euro and Canadian dollar relative to the U.S. dollar, which resulted in a \$184.5 million decrease in revenue. This decrease was offset in part by a greater number of short-term loyalty programs in the market during the year ended December 31, 2015 as compared to the prior year.
- *Finance charges, net.* Revenue increased \$567.6 million, or 25%, to \$2.9 billion for the year ended December 31, 2015 due to a 30% increase in average credit card and loan receivables, which increased revenue \$688.3 million. This increase was offset in part by an approximate 100 basis point decline in finance charge yield, which decreased revenue by \$120.7 million. Our finance charge yield has been negatively impacted by the growth in our co-brand credit card programs.
- *Marketing services.* Revenue increased \$567.8 million, or 39%, to \$2.0 billion for the year ended December 31, 2015. The Conversant acquisition contributed \$506.2 million to the revenue increase. Additionally, revenue increased \$68.8 million within our Epsilon segment due to growth in services for existing clients, database builds completed and placed into production for new clients, and strength in the automotive vertical, which offset weakness in our agency offerings.
- *Other revenue.* Revenue increased \$26.9 million, or 16%, to \$196.8 million for the year ended December 31, 2015 due to the Conversant acquisition.

Cost of operations. Cost of operations increased \$0.6 billion, or 19%, to \$3.8 billion for the year ended December 31, 2015 as compared to \$3.2 billion for the year ended December 31, 2014. The increase resulted from the following:

- Within the LoyaltyOne segment, cost of operations decreased \$5.9 million, impacted by the decline in both the Euro and Canadian dollar relative to the U.S. dollar, which resulted in a \$185.9 million decrease in cost of operations. In local currency, cost of operations increased due to an increase in cost of redemptions associated with the number of short-term loyalty programs in market during the year ended December 31, 2015 as compared to the prior year.
- Within the Epsilon segment, cost of operations increased \$440.1 million, due primarily to the Conversant acquisition that contributed \$374.7 million to the increase. The remaining increase is due to an increase in payroll and benefits expense of \$29.6 million associated with the addition of associates to support growth, including the onboarding of new clients, and an increase of \$35.6 million in direct processing expenses associated with the increase in revenue.
- Within the Card Services segment, cost of operations increased by \$167.7 million. Payroll and benefits expense increased \$47.8 million due to the addition of associates to support growth, and marketing expenses increased \$23.3 million to support the growth in credit sales. Other operating expenses increased \$96.6 million due to higher credit card processing costs associated with the increase in the number of statements generated and higher data processing expenses.

Provision for loan loss. Provision for loan loss increased \$243.0 million, or 57%, to \$668.2 million for the year ended December 31, 2015 as compared to \$425.2 million for the year ended December 31, 2014. The increase in the provision was driven by growth in our credit card and loan receivables and the increase in our loss rate. The net charge-off rate was 4.5% for the year ended December 31, 2015 as compared to 4.2% for the year ended December 31, 2014. Delinquency rates were 4.2% of principal credit card and loan receivables at December 31, 2015 as compared to 4.0% at December 31, 2014.

General and administrative. General and administrative expenses decreased \$3.0 million to \$138.5 million for the year ended December 31, 2015 as compared to \$141.5 million for the year ended December 31, 2014 due primarily to a decrease in professional services fees related to the Conversant acquisition in 2014, offset in part by an increase in payroll expense.

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

Earn-out obligation. We acquired a 60% ownership interest in BrandLoyalty in January 2014. The share purchase agreement contained an earn-out provision that resulted in an increase in contingent consideration of \$105.9 million, which is included in operating expenses in our consolidated statements of income for the year ended December 31, 2014.

Depreciation and other amortization. Depreciation and other amortization increased \$32.4 million, or 30%, to \$142.1 million for the year ended December 31, 2015, as compared to \$109.7 million for the year ended December 31, 2014, due to additional assets placed in service resulting from both the Conversant acquisition and recent capital expenditures.

Amortization of purchased intangibles. Amortization of purchased intangibles increased \$146.7 million, or 72%, to \$350.1 million for the year ended December 31, 2015 as compared to \$203.4 million for the year ended December 31, 2014. The increase relates to \$157.6 million of additional amortization associated with the intangible assets from the Conversant acquisition, offset in part by a decrease in amortization related to certain fully amortized intangible assets in the Epsilon segment.

Interest expense, net. Total interest expense, net increased \$69.7 million, or 27%, to \$330.2 million for the year ended December 31, 2015 as compared to \$260.5 million for the year ended December 31, 2014. The increase was due to the following:

- *Securitization funding costs.* Securitization funding costs increased \$6.0 million, as an increase in average borrowings in 2015 as compared to 2014 was offset in part by a 30 basis point decrease in average interest rates over the same periods.
- *Interest expense on deposits.* Interest on deposits increased \$16.1 million due to an increase in average borrowings in 2015 as compared to 2014. Average interest rates remained relatively consistent for both periods.
- *Interest expense on long-term and other debt, net.* Interest expense on long-term and other debt, net increased \$47.6 million due primarily to an increase of \$33.2 million related to term loans associated with the \$1.4 billion incremental term loan borrowed in December 2014 in connection with the Conversant acquisition as well as an increase in interest associated with our revolving line of credit and amortization of debt issuance costs of \$7.6 million. Interest associated with our senior notes increased \$20.7 million with the \$600.0 million senior notes due 2022 issued in July 2014 and the €300.0 million senior notes due 2023 issued in November 2015. These increases were offset by a decrease in interest expense of \$17.5 million associated with the convertible senior notes that were repaid at maturity in May 2014.

Taxes. Income tax expense increased \$4.4 million to \$326.2 million for the year ended December 31, 2015 from \$321.8 million for the year ended December 31, 2014 due to an increase in taxable income, offset by a decline in the effective tax rate. The effective tax rate decreased to 35.0% for the year ended December 31, 2015 as compared to 38.4% for the year ended December 31, 2014. In 2015, the effective tax rate was impacted by a favorable tax ruling and a lapse in an applicable statute of limitations whereas the 2014 effective tax rate was negatively impacted by the nondeductible expense related to the earn-out obligation associated with the BrandLoyalty acquisition.

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

Revenue. Total revenue increased \$1.0 billion, or 23%, to \$5.3 billion for the year ended December 31, 2014 from \$4.3 billion for the year ended December 31, 2013. The net increase was due to the following:

- *Transaction.* Revenue increased \$8.4 million, or 3%, to \$337.4 million for the year ended December 31, 2014. Other servicing fees charged to our credit cardholders increased \$26.7 million due to increased volumes. This increase was offset by a decline of \$12.3 million in merchant fees, which are transaction fees charged to the retailer, due to increased royalty payments associated with new clients and an increase in associated credit sales. AIR MILES reward miles issuance fees, for which we provide marketing and administrative services, also decreased \$7.6 million due to the impact of an unfavorable Canadian exchange rate.
- *Redemption.* Revenue increased \$466.1 million, or 79%, to \$1.1 billion for the year ended December 31, 2014 due to the BrandLoyalty acquisition, which added \$538.9 million. These increases were offset by an unfavorable Canadian exchange rate, which negatively impacted redemption revenue by \$36.6 million and the change in estimate of our breakage rate in prior years.
- *Finance charges, net.* Revenue increased \$347.0 million, or 18%, to \$2.3 billion for the year ended December 31, 2014 due to a 21% increase in average credit card and loan receivables, which increased revenue \$417.0 million through a combination of credit card portfolio acquisitions and strong credit cardholder spending. This increase was offset in part by an 80 basis point decline in yield due to the onboarding of new programs, which decreased revenue \$70.0 million.
- *Marketing services.* Revenue increased \$149.3 million, or 12%, to \$1.4 billion for the year ended December 31, 2014. Revenue was driven by the acquisition of Conversant and by marketing technology revenue, which increased \$35.7 million as a result of both database builds completed for new clients that were placed in production, and an expansion of services provided to existing clients. Agency revenue increased \$43.1 million due to demand in the automotive vertical. Marketing analytic services provided by LoyaltyOne also increased \$25.1 million due to new client signings.
- *Other revenue.* Revenue increased \$13.1 million, or 8%, to \$169.9 million for the year ended December 31, 2014 due to the BrandLoyalty acquisition, which added \$6.8 million, and additional consulting services provided by Epsilon.

Cost of operations. Cost of operations increased \$0.7 billion, or 26%, to \$3.2 billion for the year ended December 31, 2014 as compared to \$2.5 billion for the year ended December 31, 2013. The increase resulted from growth across each of our segments, including the following:

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

Provision for loan loss. Provision for loan loss increased \$79.4 million, or 23%, to \$425.2 million for the year ended December 31, 2014 as compared to \$345.8 million for the year ended December 31, 2013. The increase in the provision was a result of growth in credit card and loan receivables. The net charge-off rate was 4.2% for the year ended December 31, 2014 as compared to 4.7% for the year ended December 31, 2013. Delinquency rates were 4.0% of principal credit card and loan receivables at December 31, 2014 as compared to 4.2% at December 31, 2013.

General and administrative. General and administrative expenses increased \$32.4 million, or 30%, to \$141.5 million for the year ended December 31, 2014 as compared to \$109.1 million for the year ended December 31, 2013 as a result of increased payroll and benefits costs of \$21.7 million due to higher health care costs and discretionary benefits, as well as increased professional services fees of \$12.6 million primarily related to the Conversant acquisition. Additionally, foreign currency exchange gains related to the contingent liability associated with the BrandLoyalty acquisition were offset in part by the related foreign currency exchange forward contract.

Earn-out obligation. On January 2, 2014, we acquired a 60% ownership interest in BrandLoyalty. The share purchase agreement contained an earn-out provision which resulted in an increase in contingent consideration of \$105.9 million, which is included in operating expenses in our consolidated statements of income for the year ended December 31, 2014.

Depreciation and other amortization. Depreciation and other amortization increased \$25.4 million, or 30%, to \$109.7 million for the year ended December 31, 2014, as compared to \$84.3 million for the year ended December 31, 2013, due to additional assets placed into service from capital expenditures and the Conversant and BrandLoyalty acquisitions, which added \$6.2 million.

Amortization of purchased intangibles. Amortization of purchased intangibles increased \$71.6 million, or 54%, to \$203.4 million for the year ended December 31, 2014 as compared to \$131.8 million for the year ended December 31, 2013. The increase relates to \$74.0 million of additional amortization associated with the intangible assets from the Conversant and BrandLoyalty acquisitions as well as credit card portfolio acquisitions.

Interest expense, net. Total interest expense, net decreased \$45.0 million, or 15%, to \$260.5 million for the year ended December 31, 2014 as compared to \$305.5 million for the year ended December 31, 2013. The decrease was due to the following:

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

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

Segment Revenue and Adjusted EBITDA, net

	Year Ended December 31,			% Change	
	2015	2014	2013	2015 to 2014	2014 to 2013
Revenue:	(in thousands, except percentages)				
LoyaltyOne	\$ 1,352,639	\$ 1,406,877	\$ 919,480	(4)%	53%
Epsilon	2,140,676	1,522,423	1,380,344	41	10
Card Services	2,974,365	2,395,076	2,034,724	24	18
Corporate/Other	321	556	82	nm*	nm*
Eliminations	(28,255)	(21,992)	(15,567)	nm*	nm*
Total	\$ 6,439,746	\$ 5,302,940	\$ 4,319,063	21%	23%
Adjusted EBITDA, net ⁽¹⁾:					
LoyaltyOne	\$ 270,564	\$ 307,508	\$ 258,541	(12)%	19%
Epsilon	508,370	309,100	289,699	64	7
Card Services	1,068,686	920,892	791,662	16	16
Corporate/Other	(119,350)	(111,940)	(90,125)	7	24
Eliminations	—	—	—	nm*	nm*
Total	\$ 1,728,270	\$ 1,425,560	\$ 1,249,777	21%	14%

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

* not meaningful.

Year ended December 31, 2015 compared to the year ended December 31, 2014

Revenue. Total revenue increased \$1.1 billion, or 21%, to \$6.4 billion for the year ended December 31, 2015 from \$5.3 billion for the year ended December 31, 2014. The net increase was due to the following:

- *LoyaltyOne.* Revenue decreased \$54.2 million, or 4%, to \$1.4 billion for year ended December 31, 2015. Revenue was negatively impacted by the decline in both the Euro and Canadian dollar relative to the U.S. dollar, which resulted in a \$234.7 million decrease in revenue. This decrease was offset in part by a greater number of short-term loyalty programs in the market during the year ended December 31, 2015 as compared to the prior year.
- *Epsilon.* Revenue increased \$618.3 million, or 41%, to \$2.1 billion for the year ended December 31, 2015. The Conversant acquisition contributed \$537.9 million to the increase in revenue. Excluding the Conversant acquisition, Epsilon's revenue increased \$80.4 million due to growth in services for existing clients, database builds completed and placed into production for new clients, and strength in the automotive vertical, which offset weakness in our agency offerings.
- *Card Services.* Revenue increased \$579.3 million, or 24%, to \$3.0 billion for the year ended December 31, 2015. Finance charges, net increased by \$567.6 million, driven by a 30% increase in average credit card and loan receivables due to strong cardholder spending and new client signings. Other servicing fees charged to our credit cardholders increased \$12.7 million due to higher volumes.

Adjusted EBITDA, net. Adjusted EBITDA, net increased \$0.3 billion, or 21%, to \$1.7 billion for the year ended December 31, 2015 from \$1.4 billion for the year ended December 31, 2014. The net increase was due to the following:

- *LoyaltyOne.* Adjusted EBITDA, net decreased \$36.9 million, or 12%, to \$270.6 million for the year ended December 31, 2015. Adjusted EBITDA, net was negatively impacted by the decline in both the Euro and Canadian dollar relative to the U.S. dollar, which resulted in a \$44.4 million decrease in adjusted EBITDA, net, offset in part by an increase in the number of short-term loyalty programs in the market as compared to the year ended December 31, 2014.
- *Epsilon.* Adjusted EBITDA, net increased \$199.3 million, or 64%, to \$508.4 million for the year ended December 31, 2015. The Conversant acquisition contributed \$184.1 million to the increase in adjusted EBITDA, net. Excluding the Conversant acquisition, adjusted EBITDA, net increased by \$15.2 million driven by growth in services for existing clients and database builds completed and placed in production for new clients.
- *Card Services.* Adjusted EBITDA, net increased \$147.8 million, or 16%, to \$1.1 billion for the year ended December 31, 2015. Adjusted EBITDA, net was positively impacted by the increase in finance charges, net, but offset in part by both an increase in operating expenses due to increased volumes and an increase in the provision for loan loss due to the increase in credit card and loan receivables.
- *Corporate/Other.* Adjusted EBITDA, net decreased \$7.4 million to a loss of \$119.4 million for the year ended December 31, 2015 due primarily to an increase in payroll and benefits.

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

Revenue. Total revenue increased \$983.9 million, or 23%, to \$5.3 billion for the year ended December 31, 2014 from \$4.3 billion for the year ended December 31, 2013. The net increase was due to the following:

- *LoyaltyOne.* Revenue increased \$487.4 million, or 53%, to \$1.4 billion for year ended December 31, 2014, as the BrandLoyalty acquisition contributed \$545.8 million to revenue. Excluding the BrandLoyalty acquisition, LoyaltyOne revenue decreased \$58.4 million as a result of a decline in the Canadian exchange rate, which negatively impacted revenue by \$58.2 million.
- *Epsilon.* Revenue increased \$142.1 million, or 10%, to \$1.5 billion for the year ended December 31, 2014. Agency revenue increased \$46.2 million due to increased demand in the automotive vertical. Additionally, marketing technology revenue increased \$43.7 million as a result of both database builds completed for new clients that were placed in production, and an expansion of services provided to existing clients. The Conversant acquisition added \$45.5 million to revenue.
- *Card Services.* Revenue increased \$360.4 million, or 18%, to \$2.4 billion for the year ended December 31, 2014. Finance charges, net increased by \$347.0 million, driven by a 21% increase in average credit card and loan receivables due to strong cardholder spending and new client signings. Transaction revenue increased \$14.3 million due to an increase in other servicing fees of \$26.7 million, offset by a decrease in merchant fees of \$12.3 million.

Adjusted EBITDA, net. Adjusted EBITDA, net increased \$175.8 million, or 14%, to \$1.4 billion for the year ended December 31, 2014 from \$1.2 billion for the year ended December 31, 2013. The increase was due to the following:

- *LoyaltyOne.* Adjusted EBITDA, net increased \$49.0 million, or 19%, to \$307.5 million for the year ended December 31, 2014. Adjusted EBITDA, net was positively impacted by the BrandLoyalty acquisition, which contributed \$64.6 million, while a weaker Canadian dollar negatively impacted adjusted EBITDA, net by \$16.8 million.
- *Epsilon.* Adjusted EBITDA, net increased \$19.4 million, or 7%, to \$309.1 million for the year ended December 31, 2014. Adjusted EBITDA, net was positively impacted by increases in revenue as discussed above, but was negatively impacted by expenses incurred with the onboarding of new clients, as well as higher payroll and benefit costs associated with growth.
- *Card Services.* Adjusted EBITDA, net increased \$129.2 million, or 16%, to \$920.9 million for the year ended December 31, 2014. Adjusted EBITDA, net was positively impacted by an increase in finance charges, net, but offset in part by both an increase in operating expenses due to increased volumes and an increase in the provision for loan loss due to an increase in credit card and loan receivables.
- *Corporate/Other.* Adjusted EBITDA, net decreased \$21.8 million to a loss of \$111.9 million for the year ended December 31, 2014 related to increases in payroll and benefit costs of \$21.7 million as a result of higher health care costs and discretionary benefits.

Asset Quality

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

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

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

	December 31, 2015	% of Total	December 31, 2014	% of Total
	(In thousands, except percentages)			
Receivables outstanding - principal	\$ 13,196,421	100.0%	\$ 10,762,498	100.0%
Principal receivables balances contractually delinquent:				
31 to 60 days	\$ 178,526	1.4%	\$ 157,760	1.4%
61 to 90 days	124,095	0.9	93,175	0.9
91 or more days	256,949	1.9	182,945	1.7
Total	<u>\$ 559,570</u>	<u>4.2%</u>	<u>\$ 433,880</u>	<u>4.0%</u>

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

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

	Year Ended December 31,		
	2015	2014	2013
	(In thousands, except percentages)		
Average credit card and loan receivables	\$ 11,364,581	\$ 8,750,148	\$ 7,212,678
Net charge-offs of principal receivables	512,260	370,703	335,547
Net charge-offs as a percentage of average credit card and loan receivables	4.5%	4.2%	4.7%

Liquidity and Capital Resources

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

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

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

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

Cash Flow Activity

Operating Activities. We generated cash flow from operating activities of \$1.7 billion and \$1.3 billion for the years ended December 31, 2015 and 2014, respectively. The increase in cash flow from operating activities during the year ended December 31, 2015 as compared to the prior year was due to increased profitability as well as non-cash charges to income, such as the increase in the provision for loan loss due to the increase in credit card receivables and the increase in depreciation and amortization due to the BrandLoyalty and Conversant acquisitions in the prior year. Changes in the fair value of the contingent liability for the BrandLoyalty acquisition from the initial valuation are classified as an adjustment to cash flow from operating activities and, as such, the adjustment of \$99.6 million during the first quarter of 2015 negatively impacted our cash flow from operating activities.

Investing Activities. Cash used in investing activities was \$3.4 billion and \$4.7 billion for the years ended December 31, 2015 and 2014, respectively. Significant components of investing activities are as follows:

- *Redemption settlement assets.* Cash decreased \$22.4 million and \$59.7 million for the years ended December 31, 2015 and 2014, respectively. The increase in funding requirements resulting from changes in our estimate of breakage in December 2013 resulted in a greater use of cash for the year ended December 31, 2014.
- *Credit card and loan receivables funding.* Cash decreased \$2.9 billion and \$2.3 billion for the years ended December 31, 2015 and 2014, respectively, due to growth in our credit card and loan receivables in both years.
- *Payments for acquired businesses, net of cash acquired.* During the year ended December 31, 2015, we utilized cash of \$45.4 million in the acquisition of two Netherlands-based loyalty marketing businesses. During the year ended December 31, 2014, we utilized cash of \$1.2 billion in acquisitions, consisting of \$259.5 million in the acquisition of our 60% ownership interest in BrandLoyalty on January 2, 2014 and \$936.3 million in the Conversant acquisition on December 10, 2014.
- *Purchase of credit card portfolios.* During the year ended December 31, 2015, we paid \$243.2 million to acquire one credit card portfolio. During the year ended December 31, 2014, we paid \$953.2 million to acquire four credit card portfolios.
- *Capital expenditures.* Cash paid for capital expenditures was \$191.7 million and \$158.7 million for the years ended December 31, 2015 and 2014, respectively. We anticipate capital expenditures to continue to be approximately 3% of annual revenue.
- *Purchases of other investments.* Our purchases of other investments were \$38.8 million and \$125.7 million for the years ended December 31, 2015 and 2014, respectively. During the year ended December 31, 2014, we purchased \$100.1 million of U.S. Treasury bonds.

Financing Activities. Cash provided by financing activities was \$1.8 billion and \$3.5 billion for the years ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2015, the primary sources of cash were the issuance of the new term loan of \$200.0 million in September 2015, the €300.0 million issuance of senior notes due 2023 in November 2015 and borrowings under our debt agreements, including the asset-backed conduit facilities. These sources were partially offset by uses of \$951.6 million to acquire treasury shares, \$205.9 million to settle the BrandLoyalty contingent liability and \$87.4 million to acquire the additional 10% ownership in BrandLoyalty. For the year ended December 31, 2014, cash provided by financing activities was primarily from new borrowings, including the \$600.0 million issuance of senior notes due 2022 in July 2014 and \$1.4 billion in additional term loans in December 2014, as well as a net increase in asset-backed notes and deposits to fund the acquisition and growth of our credit card and loan receivables. During 2014, we also acquired \$286.6 million in treasury shares and settled our 2014 convertible senior notes in cash.

Debt

Long-term and Other Debt

In September 2015, we amended our credit agreement, or the 2013 Credit Facility, and borrowed incremental term loans in the aggregate principal amount of \$200.0 million that mature on September 23, 2016. These term loans bear interest at the same rates and are generally subject to the same terms as the existing term loans under the 2013 Credit Facility. Subsequent to the amendment, our 2013 Credit Facility provides for \$2.85 billion in term loans, subject to certain principal repayments, and a \$1.3 billion revolving line of credit. As of December 31, 2015, we had \$465.0 million in borrowings under the revolving line of credit and total availability of \$835.0 million. Our total leverage ratio, as defined in our credit agreement, was 2.7 to 1 at December 31, 2015, as compared to the maximum covenant ratio of 3.5 to 1.

In August 2015, BrandLoyalty entered into an amended and restated credit agreement, or the BrandLoyalty credit agreement, which provides for a committed revolving line of credit of €62.5 million and an uncommitted revolving line of credit of €62.5 million, both of which are scheduled to mature on August 25, 2018. As of December 31, 2015, the amount outstanding under the BrandLoyalty credit agreement was €64.2 million (\$69.7 million).

In November 2015, we issued and sold €300.0 million aggregate principal amount of 5.25% senior notes due November 15, 2023, or the Senior Notes due 2023. The Senior Notes due 2023 accrue interest on the principal amount at the rate of 5.25% per annum from November 19, 2015, payable semi-annually in arrears, on May 15 and November 15 of each year, beginning on May 15, 2016. The amount outstanding under the Senior Notes due 2023 was €300.0 million (\$325.8 million) as of December 31, 2015.

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

As of December 31, 2015, we were in compliance with our debt covenants.

Deposits

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

Comenity Bank and Comenity Capital Bank offer demand deposit programs through contractual arrangements with securities brokerage firms. As of December 31, 2015, Comenity Bank and Comenity Capital Bank had \$1.4 billion in money market deposits outstanding with interest rates ranging from 0.22% to 0.66%. Money market deposits are redeemable on demand by the customer and, as such, have no scheduled maturity date.

Comenity Bank and Comenity Capital Bank issue certificates of deposit in denominations of \$100,000 and \$1,000, respectively, in various maturities ranging between three months and seven years and with effective annual interest rates ranging from 0.43% to 2.80%. As of December 31, 2015, we had \$4.3 billion of certificates of deposit outstanding. Certificate of deposit borrowings are subject to regulatory capital requirements.

Securitization Program

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

As of December 31, 2015, the WFN Trusts and the WFC Trust had approximately \$10.6 billion of securitized credit card receivables. Securitizations require credit enhancements in the form of cash, spread deposits, additional receivables and subordinated classes. The credit enhancement is principally based on the outstanding balances of the series issued by the WFN Trusts and the WFC Trust and by the performance of the credit card receivables in these credit card securitization trusts. We have secured and continue to secure the necessary commitments to fund our portfolio of securitized credit card receivables originated by Comenity Bank and Comenity Capital Bank. However, certain of these commitments are short-term in nature and subject to renewal. There is not a guarantee that these funding sources, when they mature, will be renewed on similar terms or at all as they are dependent on the asset-backed securitization markets at the time.

We have access to committed undrawn capacity through three conduit facilities to support the funding of our credit card receivables through Master Trust I, Master Trust III and the WFC Trust. As of December 31, 2015, total capacity under the conduit facilities was \$3.0 billion, of which \$2.2 billion had been drawn and was included in non-recourse borrowings of consolidated securitization entities in the consolidated balance sheets. Borrowings outstanding under each facility bear interest at a margin above LIBOR or the asset-backed commercial paper costs of each individual conduit provider. The conduits have varying maturities from March 2017 to December 2017 with variable interest rates ranging from 1.34% to 1.57% as of December 31, 2015.

The following table shows the maturities of borrowing commitments as of December 31, 2015 for the WFN Trusts and the WFC Trust by year:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 and Thereafter</u>	<u>Total</u>
	(In thousands)					
Term notes	\$ 1,050,000	\$ 950,000	\$ 991,000	\$ 802,166	\$ 475,000	\$ 4,268,166
Conduit facilities ⁽¹⁾	—	2,950,000	—	—	—	2,950,000
Total ⁽²⁾	<u>\$ 1,050,000</u>	<u>\$ 3,900,000</u>	<u>\$ 991,000</u>	<u>\$ 802,166</u>	<u>\$ 475,000</u>	<u>\$ 7,218,166</u>

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

(2) Total amounts do not include \$2.1 billion of debt issued by the credit card securitization trusts, which was retained by us and has been eliminated in the consolidated financial statements.

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

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

Stock Repurchase Programs

On January 1, 2015, our Board of Directors authorized a stock repurchase program to acquire up to \$600.0 million of our outstanding common stock from January 1, 2015 through December 31, 2015. On April 15, 2015, the Board of Directors authorized an increase to the stock repurchase program to acquire an additional \$400.0 million of our outstanding common stock through December 31, 2015, for a total authorization of \$1.0 billion. During the year ended December 31, 2015, we repurchased approximately 3.4 million shares of our common stock for an aggregate amount of \$951.6 million.

On January 1, 2016, our Board of Directors authorized a stock repurchase program to acquire up to \$500.0 million of our outstanding common stock from January 1, 2016 through December 31, 2016. On February 15, 2016, our Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2016 to acquire an additional \$500.0 million of our outstanding common stock through December 31, 2016, for a total authorization of \$1.0 billion.

See Note 16, "Stockholders' Equity," of the Notes to Consolidated Financial Statements for additional information regarding our stock repurchases.

Contractual Obligations

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

	<u>2016</u>	<u>2017 & 2018</u>	<u>2019 & 2020</u>	<u>2021 & Thereafter</u>	<u>Total</u>
	<u>(In thousands)</u>				
Deposits ⁽¹⁾	\$ 3,040,048	\$ 1,732,427	\$ 974,563	\$ 24,825	\$ 5,771,863
Non-recourse borrowings of consolidated securitization entities ⁽¹⁾	1,150,464	4,281,446	1,303,590	—	6,735,500
Long-term and other debt ⁽¹⁾	548,517	1,066,387	3,214,516	1,026,775	5,856,195
Operating leases	91,212	142,546	108,818	269,377	611,953
Software licenses	342	253	—	—	595
ASC 740 obligations ⁽²⁾	—	—	—	—	—
Purchase obligations ⁽³⁾	239,736	136,455	16,840	1,605	394,636
Total	<u>\$ 5,070,319</u>	<u>\$ 7,359,514</u>	<u>\$ 5,618,327</u>	<u>\$ 1,322,582</u>	<u>\$ 19,370,742</u>

(1) The deposits, non-recourse borrowings of consolidated securitization entities and long-term and other debt represent our estimated debt service obligations, including both principal and interest. Interest was based on the interest rates in effect as of December 31, 2015, applied to the contractual repayment period.

(2) ASC 740 obligations do not reflect unrecognized tax benefits of \$185.9 million, of which the timing remains uncertain.

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

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

Inflation and Seasonality

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

Legislative and Regulatory Matters

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

Quantitative measures established by regulations to ensure capital adequacy require Comenity Bank and Comenity Capital Bank to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1 and total capital to risk weighted assets and of Tier 1 capital to average assets. Under the regulations, a "well capitalized" institution must have a Common Equity Tier 1 capital ratio of at least 6.5%, a Tier 1 capital ratio of at least 8%, a total capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order. An "adequately capitalized" institution must have a Common Equity Tier 1 capital ratio of at least 4.5%, a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 8% and a leverage ratio of at least 4%, but 3% is allowed in some cases. Under these guidelines, Comenity Bank and Comenity Capital Bank are considered well capitalized. As of December 31, 2015, Comenity Capital Bank's Common Equity Tier 1 capital ratio was 13.0%, Tier 1 capital ratio was 13.0%, total capital ratio was 14.3% and leverage ratio was 13.3%, and Comenity Capital Bank was not subject to a capital directive order. As of December 31, 2015, Comenity Bank's Common Equity Tier 1 capital ratio was 14.4%, Tier 1 capital ratio was 14.4%, total capital ratio was 15.7% and leverage ratio was 14.8%, and Comenity Bank was not subject to a capital directive order.

On September 8, 2015, Comenity Bank and Comenity Capital Bank each entered into a consent order with the FDIC in settlement of the FDIC's review of Comenity Bank and Comenity Capital Bank's practices regarding the marketing, promotion and sale of certain add-on products. Comenity Bank and Comenity Capital Bank entered into the consent orders for the purpose of resolving these matters without admitting or denying any violations of law or regulation set forth in the orders.

Under the consent orders, Comenity Bank and Comenity Capital Bank will collectively provide restitution of approximately \$61.5 million to eligible customers for actions occurring between January 2008 and September 2014. In addition, Comenity Bank and Comenity Capital Bank collectively agreed to pay \$2.5 million in civil money penalties to the FDIC. The civil penalties to the FDIC have been paid as of December 31, 2015, with disbursement of restitution to eligible customers expected to begin in the first quarter of 2016. Adequate provisions were made for these costs in our consolidated financial statements as of December 31, 2015. Before the FDIC's review began, Comenity Bank and Comenity Capital Bank made changes to these add-on products, and they believe their current business practices substantially address the FDIC's concerns; however, Comenity Bank and Comenity Capital Bank also agreed to make further enhancements to their compliance and other processes related to the marketing, promotion and sale of these add-on products.

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

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

Discussion of Critical Accounting Estimates

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

Allowance for Loan Loss.

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

If we used different assumptions in estimating net losses that could be incurred, the impact to the allowance for loan loss could have a material effect on our consolidated financial condition and results of operations. For example, a 100 basis point change in our estimate of incurred net loan losses could have resulted in a change of approximately \$135.3 million in the allowance for loan loss at December 31, 2015, with a corresponding change in the provision for loan loss.

Revenue Recognition.

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

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

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

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

The adoption of Accounting Standards Update, or ASU, 2009-13, "Multiple-Deliverable Revenue Arrangements," established the use of a three-level hierarchy when establishing the selling price and the relative selling price method when allocating arrangement consideration and eliminated the use of the residual method for new sponsor agreements entered into, or existing sponsor agreements that are materially modified, after January 1, 2011. Effective January 1, 2015, all of our sponsor contracts are accounted for under ASU 2009-13.

Proceeds from the issuance of AIR MILES reward miles are allocated to three elements, the redemption element, the service element, and the brand element, based on the relative selling price method. Redemption revenue is recognized as the AIR MILES reward miles are redeemed; service revenue is recognized over the estimated life of an AIR MILES reward mile, or 42 months. The brand element is recognized as AIR MILES reward miles are issued.

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

The amount of revenue recognized is subject to our estimate of breakage, or those AIR MILES reward miles that we estimate will remain unredeemed by the collector base, and the estimated life of an AIR MILES reward mile.

Breakage and the life of an AIR MILES reward mile are based on management's estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure. There have been no changes to management's estimate of the life of an AIR MILES reward miles in the periods presented in the financial statements. We estimate that a change to the estimated life of an AIR MILES reward mile of one month would impact revenue by approximately \$5 million. Based on the analysis of historical redemption trends and additional statistical analysis performed, including the impact of changes in the program structure, our estimate of breakage was 26% for the years ended December 31, 2015 and 2014 and 27% for the year ended December 31, 2013.

As of December 31, 2015, we had \$844.9 million in deferred revenue related to the AIR MILES Reward Program that will be recognized in the future. Further information is provided in Note 13, "Deferred Revenue," of the Notes to Consolidated Financial Statements.

Should there be a change in collector behavior with the advent of expiry, or redemptions exceed our expectations, this could result in a change in our estimates of breakage or life of an AIR MILES reward mile.

Income Taxes.

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

Recent Accounting Pronouncements

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

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

Market Risk

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

Interest Rate Risk. Interest rate risk affects us directly in our borrowing activities. Our interest expense, net was \$330.2 million for 2015. To manage our risk from market interest rates, we actively monitor interest rates and other interest sensitive components to minimize the impact that changes in interest rates have on the fair value of assets, net income and cash flow. To achieve this objective, we manage our exposure to fluctuations in market interest rates through the use of fixed-rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. In addition, we may enter into derivative instruments such as interest rate swaps and interest rate caps to mitigate our interest rate risk on related financial instruments or to lock the interest rate on a portion of our variable debt. We do not enter into derivative or interest rate transactions for trading or other speculative purposes.

The approach we use to quantify interest rate risk is a sensitivity analysis, which we believe best reflects the risk inherent in our business. This approach calculates the impact on pre-tax income from an instantaneous and sustained increase in interest rates of 1%. In 2015, a 1% increase in interest rates would have resulted in an increase to our interest expense of approximately \$76 million. Conversely, a corresponding decrease in interest rates would have resulted in a decrease to interest expense of approximately \$59 million. Our use of this methodology to quantify the market risk of financial instruments should not be construed as an endorsement of its accuracy or the appropriateness of the related assumptions.

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

Foreign Currency Exchange Rate Risk. We are exposed to fluctuations in the exchange rate between the U.S. and the Canadian dollar and between the U.S. dollar and the Euro. For the year ended December 31, 2015, an additional 10% decrease in the strength of the Canadian dollar versus the U.S. dollar and the Euro versus the U.S. dollar would have resulted in an additional decrease in pre-tax income of approximately \$17 million and \$5 million, respectively. Conversely, a corresponding increase in the strength of the Canadian dollar or the Euro versus the U.S. dollar would result in a comparable increase to pre-tax income in these periods.

Item 8. Financial Statements and Supplementary Data.

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

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

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2015, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2015, our disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

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

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

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting. In conducting this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013)*. Based on this evaluation, management, with the participation of the Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of internal control over financial reporting as of December 31, 2015, has been audited by Deloitte & Touche LLP, the independent registered public accounting firm who also audited our consolidated financial statements. Deloitte & Touche's attestation report on the effectiveness of our internal control over financial reporting appears on page F-3.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Incorporated by reference to the Proxy Statement for the 2016 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2015.

Item 11. Executive Compensation.

Incorporated by reference to the Proxy Statement for the 2016 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2015.

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

Incorporated by reference to the Proxy Statement for the 2016 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2015.

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

Incorporated by reference to the Proxy Statement for the 2016 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2015.

Item 14. Principal Accounting Fees and Services.

Incorporated by reference to the Proxy Statement for the 2016 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2015.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

(1) Financial Statements

(2) Financial Statement Schedule

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

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
3.1	(a)	Second Amended and Restated Certificate of Incorporation of the Registrant.	S-1	3.1	3/3/00
3.2	(a)	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of the Registrant.	8-K	3.1	6/7/13
3.3	(a)	Fifth Amended and Restated Bylaws of the Registrant.	8-K	3.1	2/1/16
4	(a)	Specimen Certificate for shares of Common Stock of the Registrant.	10-Q	4	8/8/03
10.1	(a)	Office Lease between Nodenble Associates, LLC and ADS Alliance Data Systems, Inc., dated as of October 1, 2009.	10-K	10.1	3/1/10
10.2	(a)	Fourth Amendment to Office Lease between FSP One Legacy Circle LLC (as successor in interest to Nodenble Associates, LLC) and ADS Alliance Data Systems, Inc. dated as of June 15, 2011.	10-K	10.2	2/27/12
10.3	(a)	Office Lease, dated as of June 7, 2013 between The Shops at Legacy (North) L.L.C. and ADS Alliance Data Systems, Inc.	10-K	10.3	2/27/15
10.4	(a)	Lease Agreement, dated as of May 19, 2010 between Brandywine Operating Partnership, L.P. and ADS Alliance Data Systems, Inc.	10-Q	10.13	8/9/10
10.5	(a)	Office Lease between Office City, Inc. and World Financial Network National Bank, dated December 24, 1986, and amended January 19, 1987, May 11, 1988, August 4, 1989 and August 18, 1999.	S-1	10.17	1/13/00
10.6	(a)	Fifth Amendment to Office Lease between Office City, Inc. and World Financial Network National Bank, dated March 29, 2004.	10-K	10.6	2/28/08
10.7	(a)	Lease Modification Agreement between Office City, Inc. and Comenity Servicing LLC, successor in interest to World Financial Network National Bank, dated October 17, 2013.	10-K	10.6	2/28/14
10.8	(a)	Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated July 2, 1990, and amended September 11, 1990, November 16, 1990 and February 18, 1991.	S-1	10.18	1/13/00
10.9	(a)	Fourth Amendment to Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated June 1, 2000.	10-Q	10.1	5/14/03

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.10	(a)	Fifth Amendment to Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated June 30, 2001.	10-K	10.10	3/3/06
10.11	(a)	Sixth Amendment to Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated January 27, 2006.	10-K	10.10	2/28/08
10.12	(a)	Letter Agreement by and between Continental Realty, Ltd. and ADS Alliance Data Systems, Inc., dated as of October 29, 2009.	10-K	10.10	3/1/10
10.13	(a)	Seventh Amendment to Lease Agreement by and among JEL/220 W. Schrock, LLC, FEK/220 W. Schrock, LLC, CP/220 W. Schrock, LLC, NRI 220 Schrock, LLC, ADS Alliance Data Systems, Inc. and Alliance Data Systems Corporation, dated as of January 14, 2010.	10-K	10.10	2/28/11
10.14	(a)	Eighth Amendment to Lease by and between JEL/220 W. Schrock, LLC, FEK/220 W. Schrock, LLC, CP/220 W. Schrock, LLC, NRI 220 Schrock, LLC, Comenity Servicing LLC, successor in interest to ADS Alliance Data Systems, Inc., and Alliance Data Systems Corporation, dated as of December 3, 2013.	10-K	10.13	2/28/14
10.15	(a)	Lease Agreement by and between 601 Edgewater LLC and Epsilon Data Management, Inc., dated July 30, 2002.	10-K	10.17	3/4/05
10.16	(a)	First Amendment to Lease Agreement by and between 601 Edgewater LLC and Epsilon Data Management, Inc., dated August 29, 2007.	10-K	10.13	2/28/08
10.17	(a)	Second Amendment to Lease Agreement by and between 601 Edgewater LLC and Epsilon Data Management, LLC, dated October 3, 2008.	10-K	10.13	3/2/09
10.18	(a)	Third Amendment to Lease Agreement by and between 601 Edgewater LLC and Epsilon Data Management, LLC, dated November 10, 2009.	10-K	10.14	3/1/10
10.19	(a)	Lease by and between 601 Edgewater LLC and Epsilon Data Management, LLC, dated August 16, 2011.	10-K	10.19	2/27/15
10.20	(a)	Lease Agreement by and between Sterling Direct, Inc. and Sterling Properties, L.L.C., dated September 22, 1997, as subsequently assigned.	10-K	10.18	3/4/05
10.21	(a)	First Amendment to Lease by and between Bekins Properties LLC (as successor in interest to Sterling Properties LLC) and Epsilon Data Management, LLC (as successor in interest to Sterling Direct, Inc.), dated as of September 1, 2011.	10-K	10.17	2/27/12
10.22	(a)	Second Amendment to Lease by and between RGA Real Estate Holdings, LLC (as successor in interest to Bekins Properties LLC) and Epsilon Data Management, LLC (as successor in interest to Sterling Direct, Inc.), dated as of September 30, 2014.	10-K	10.22	2/27/15
10.23	(a)	Lease between 592423 Ontario Inc. and Loyalty Management Group Canada, Inc., dated November 14, 2005.	10-K	10.18	2/26/07
10.24	(a)	Lease Amending Agreement by and between Dundee Canada (GP) Inc. (as successor in interest to 592423 Ontario Inc.) and LoyaltyOne, Inc., dated as of May 21, 2009.	10-K	10.19	3/1/10

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.25	(a)	Lease Agreement by and between ADS Place Phase I, LLC and ADS Alliance Data Systems, Inc. dated August 25, 2006.	10-K	10.20	2/26/07
10.26	(a)	Third Lease Amendment by and between ADS Place Phase I, LLC and ADS Alliance Data Systems, Inc. dated as of November 1, 2007.	10-K	10.21	3/1/10
10.27	(a)	Office Lease by and between BRE/COH OH LLC and ADS Alliance Data Systems, Inc. dated as of July 26, 2012, as amended.	10-K	10.26	2/28/14
10.28	(a)	Lease between 2725312 Canada Inc. and Loyalty Management Group Canada Inc. dated as of February 26, 2008, as amended.	10-K	10.29	2/27/12
10.29	(a)	Industrial Building Lease between Aspen Marketing Services, Inc. (as successor in interest to Aspen Marketing, Inc.) and A. & A. Conte Joint Venture Limited Partnership dated June 3, 2003, as amended.	10-K	10.30	2/27/12
10.30	(a)	Fourth Amendment to Industrial Building Lease between Aspen Marketing Services, LLC (as successor in interest to Aspen Marketing Services, Inc.) and A. & A. Conte Joint Venture Limited Partnership dated March 26, 2012.	10-K	10.26	2/28/13
10.31	(a)	Lease Agreement between NOP Cottonwood 2795, LLC and ADS Alliance Data Systems, Inc. dated as of September 21, 2010, as amended.	10-K	10.28	2/28/13
10.32	(a)	Third Amendment to Lease Agreement between NOP Cottonwood 2795, LLC and Comenity Servicing LLC (successor in interest to ADS Alliance Data Systems, Inc.), dated as of March 11, 2014.	10-K	10.33	2/27/15
10.33	(a)	Lease Agreement between Piedmont Operating Partnership, L.P. and Epsilon Data Management, LLC dated as of August 1, 2013.	10-K	10.34	2/27/15
10.34	(a)	Assumption and Assignment Agreement between Coldwater Creek Merchandising & Logistics, Inc., Comenity Servicing LLC and Foothill Shadows, LLC dated as of September 16, 2014, as amended.	10-K	10.35	2/27/15
10.35	(a)	Lease Agreement between C.V. Kingsroad and Brand Loyalty International B.V. dated October 9, 2012, as amended.	10-K	10.36	2/27/15
10.36	(a)	Lease Agreement between Stichting Mathilda and Brand Loyalty Sourcing B.V. dated December 20, 2012.	10-K	10.37	2/27/15
*10.37	(a)	Build-To-Suit Net Lease between Westminster Westminster LLC (as successor in interest to Glenborough Properties, L.P.) and Comenity Servicing LLC (as successor in interest to ADS Alliance Data Systems, Inc.) dated January 11, 2001, as amended.			
+10.38	(a)	Alliance Data Systems Corporation Amended and Restated Executive Deferred Compensation Plan effective January 1, 2008.	10-Q	10.1	5/11/09
+10.39	(a)	Alliance Data Systems Corporation 2005 Long-Term Incentive Plan.	DEF 14A	A	4/29/05
+10.40	(a)	Amendment Number One to the Alliance Data Systems Corporation 2005 Long Term Incentive Plan, dated as of September 24, 2009.	10-Q	10.8	11/9/09

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
+10.41	(a)	Alliance Data Systems Corporation 2010 Omnibus Incentive Plan.	DEF 14A	A	4/20/10
+10.42	(a)	Alliance Data Systems Corporation 2015 Omnibus Incentive Plan.	DEF 14A	B	4/20/15
+10.43	(a)	Form of Nonqualified Stock Option Agreement for awards under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan.	8-K	10.4	8/4/05
+10.44	(a)	Form of Canadian Nonqualified Stock Option Agreement for awards under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan.	10-K	10.101	2/27/07
+10.45	(a)	Form of Time-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan.	8-K	10.1	2/20/14
+10.46	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan (2014 grant).	8-K	10.2	2/20/14
+10.47	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan (2015 grant).	8-K	10.2	2/19/15
+10.48	(a)	Form of Time-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan.	8-K	10.1	2/17/16
+10.49	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan (2016 grant).	8-K	10.2	2/17/16
+10.50	(a)	Form of Non-Employee Director Nonqualified Stock Option Agreement.	8-K	10.1	6/13/05
+10.51	(a)	Form of Non-Employee Director Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan.	10-Q	10.10	8/8/08
+10.52	(a)	Form of Non-employee Director Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan.	10-K	10.52	2/28/13
+10.53	(a)	Alliance Data Systems Corporation Non-Employee Director Deferred Compensation Plan.	8-K	10.1	6/9/06
+10.54	(a)	Form of Alliance Data Systems Associate Confidentiality Agreement.	10-K	10.24	3/12/03
+10.55	(a)	Form of Alliance Data Systems Corporation Indemnification Agreement for Officers and Directors.	8-K	10.1	6/5/15
+10.56	(a)	Alliance Data Systems Corporation 2015 Employee Stock Purchase Plan, effective July 1, 2015.	DEF 14A	C	4/20/15
+10.57	(a)	LoyaltyOne, Inc. Registered Retirement Savings Plan, as amended.	10-Q	10.1	5/7/10
+10.58	(a)	LoyaltyOne, Inc. Deferred Profit Sharing Plan, as amended.	10-Q	10.2	5/7/10
+10.59	(a)	LoyaltyOne, Inc. Canadian Supplemental Executive Retirement Plan, effective as of January 1, 2009.	10-Q	10.3	5/7/10

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
+10.60	(a)	Change in Control Agreement, dated as of September 25, 2003, by and between ADS Alliance Data Systems, Inc. and Edward J. Heffernan.	S-3	10.1	10/15/03
10.61	(a)	Amended and Restated License to Use the Air Miles Trade Marks in Canada, dated as of July 24, 1998, by and between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc. (assigned by Air Miles International Holdings N.V. to Air Miles International Trading B.V. by a novation agreement dated as of July 18, 2001).	S-1	10.43	1/13/00
10.62	(a)	Amended and Restated License to Use and Exploit the Air Miles Scheme in Canada, dated July 24, 1998, by and between Air Miles International Trading B.V. and Loyalty Management Group Canada Inc.	S-1	10.44	1/13/00
10.63	(b) (c)	Second Amended and Restated Pooling and Servicing Agreement, dated as of January 17, 1996 as amended and restated as of September 17, 1999 and August 1, 2001, by and among WFN Credit Company, LLC, World Financial Network National Bank, and BNY Midwest Trust Company.	S-3	4.6	7/5/01
10.64	(b) (c)	Omnibus Amendment, dated as of March 31, 2003, among WFN Credit Company, LLC, World Financial Network Credit Card Master Trust, World Financial Network National Bank and BNY Midwest Trust Company.	8-K	4	4/22/03
10.65	(b) (c) (d)	Second Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of May 19, 2004, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	8/4/04
10.66	(b) (c) (d)	Third Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of March 30, 2005, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	4/4/05
10.67	(b) (d)	Fourth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of June 13, 2007, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	6/15/07
10.68	(b) (c) (d)	Fifth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of October 26, 2007, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	10/31/07
10.69	(b) (d)	Sixth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of May 27, 2008, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Trust Company, N.A.	8-K	4.1	5/29/08
10.70	(b) (d)	Seventh Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of June 28, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.2	6/30/10
10.71	(b) (d)	Supplemental Agreement to Second Amended and Restated Pooling and Servicing Agreement, dated as of August 9, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	8/12/10

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.72	(b) (c) (d)	Eighth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of November 9, 2011, among World Financial Network Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	11/14/11
10.73	(b) (c)	Transfer and Servicing Agreement, dated as of August 1, 2001, between WFN Credit Company, LLC, World Financial Network National Bank, and World Financial Network Credit Card Master Note Trust.	S-3	4.3	7/5/01
10.74	(b) (c)	First Amendment to the Transfer and Servicing Agreement, dated as of November 7, 2002, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	11/20/02
10.75	(b) (c) (d)	Third Amendment to the Transfer and Servicing Agreement, dated as of May 19, 2004, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	8/4/04
10.76	(b) (c) (d)	Fourth Amendment to the Transfer and Servicing Agreement, dated as of March 30, 2005, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	4/4/05
10.77	(b) (d)	Fifth Amendment to the Transfer and Servicing Agreement, dated as of June 13, 2007, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	6/15/07
10.78	(b) (c) (d)	Sixth Amendment to the Transfer and Servicing Agreement, dated as of October 26, 2007, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	10/31/07
10.79	(b) (d)	Seventh Amendment to Transfer and Servicing Agreement, dated as of June 28, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.4	6/30/10
10.80	(b) (d)	Supplemental Agreement to Transfer and Servicing Agreement, dated as of August 9, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.3	8/12/10
10.81	(b) (c) (d)	Eighth Amendment to Transfer and Servicing Agreement, dated as of June 15, 2011, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.1	6/15/11
10.82	(b) (c) (d)	Ninth Amendment to Transfer and Servicing Agreement, dated as of November 9, 2011, among World Financial Network Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.3	11/14/11
10.83	(b) (c)	Receivables Purchase Agreement, dated as of August 1, 2001, between World Financial Network National Bank and WFN Credit Company, LLC.	S-3	4.8	7/5/01
10.84	(b) (d)	First Amendment to Receivables Purchase Agreement, dated as of June 28, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	8-K	4.3	6/30/10

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.85	(b) (c) (d)	Second Amendment to Receivables Purchase Agreement, dated as of November 9, 2011, between World Financial Network Bank and WFN Credit Company, LLC.	8-K	4.2	11/14/11
10.86	(b) (d)	Supplemental Agreement to Receivables Purchase Agreement, dated as of August 9, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	8-K	4.2	8/12/10
10.87	(b) (c)	Master Indenture, dated as of August 1, 2001, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	S-3	4.1	7/5/01
10.88	(b) (c)	Supplemental Indenture No. 1, dated as of August 13, 2003, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	8-K	4.2	8/28/03
10.89	(b) (d)	Supplemental Indenture No. 2, dated as of June 13, 2007, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	8-K	4.3	6/15/07
10.90	(b) (d)	Supplemental Indenture No. 3, dated as of May 27, 2008, between World Financial Network Credit Card Master Note Trust and The Bank of New York Trust Company, N.A.	8-K	4.2	5/29/08
10.91	(b) (d)	Supplemental Indenture No. 4, dated as of June 28, 2010, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A..	8-K	4.1	6/30/10
10.92	(b) (c) (d)	Supplemental Indenture No. 5, dated as of February 20, 2013, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.2	2/22/13
10.93	(b) (c) (d)	Agreement of Resignation, Appointment and Acceptance, dated as of June 26, 2012, by and among World Financial Network Bank, World Financial Network Credit Card Master Note Trust, The Bank of New York Mellon Trust Company, N.A., and Union Bank, N.A.	8-K	4.1	6/26/12
10.94	(b) (c) (d)	Agreement of Resignation, Appointment and Acceptance, dated as of June 26, 2012, by and among WFN Credit Company, LLC, The Bank of New York Mellon Trust Company, N.A., and Union Bank, N.A.	8-K	4.2	6/26/12
10.95	(b) (c) (d)	Series 2011-B Indenture Supplement, dated as of November 9, 2011, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A.	8-K	4.2	11/14/11
10.96	(b) (c) (d)	Series 2012-A Indenture Supplement, dated as of April 12, 2012, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	4/16/12
10.97	(b) (c) (d)	Series 2012-B Indenture Supplement, dated as of July 19, 2012, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	7/23/12

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.98	(b) (c) (d)	Series 2012-C Indenture Supplement, dated as of July 19, 2012, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.2	7/23/12
10.99	(b) (c) (d)	Series 2012-D Indenture Supplement, dated as of October 5, 2012, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	10/10/12
10.100	(b) (c) (d)	Series 2013-A Indenture Supplement, dated as of February 20, 2013, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	2/22/13
10.101	(b) (c) (d)	Series 2013-B Indenture Supplement, dated as of May 21, 2013, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	5/24/13
10.102	(b) (c) (d)	Series 2014-A Indenture Supplement, dated as of February 19, 2014, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	2/21/14
10.103	(b) (c) (d)	Series 2014-C Indenture Supplement, dated as of November 7, 2014, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	11/13/14
10.104	(b) (c) (d)	Series 2015-A Indenture Supplement, dated as of April 17, 2015, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	4/21/15
10.105	(b) (c) (d)	Series 2015-B Indenture Supplement, dated as of August 21, 2015, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	8/25/15
10.106	(b) (c) (d)	Series 2015-C Indenture Supplement, dated as of October 27, 2015, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	10/29/15
10.107	(b) (c) (d)	Amended and Restated Service Agreement, dated as of June 28, 2013, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	7/3/13
10.108	(b) (c) (d)	First Amendment to Amended and Restated Service Agreement, dated as of September 9, 2013, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	9/11/13
10.109	(b) (c) (d)	Second Amendment to Amended and Restated Service Agreement, dated as of March 1, 2014, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	3/5/14

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.110	(b) (c) (d)	Third Amendment to Amended and Restated Service Agreement, dated as of September 1, 2014, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	9/5/14
10.111	(b) (c) (d)	Amendment to Amended and Restated Service Agreement, dated February 25, 2015, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	3/2/15
10.112	(a)	Receivables Purchase Agreement, dated as of September 28, 2001, between World Financial Network National Bank and WFN Credit Company, LLC.	10-Q	10.5	11/7/08
10.113	(a)	First Amendment to Receivables Purchase Agreement, dated as of June 24, 2008, between World Financial Network National Bank and WFN Credit Company, LLC..	10-K	10.94	3/2/09
10.114	(a)	Second Amendment to Receivables Purchase Agreement, dated as of March 30, 2010, between World Financial Network National Bank and WFN Credit Company, LLC..	10-K	10.127	2/28/11
10.115	(a)	Supplemental Agreement to Receivables Purchase Agreement, dated as of August 9, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	10-K	10.128	2/28/11
10.116	(a)	Third Amendment to Receivables Purchase Agreement, dated as of September 30, 2011, between World Financial Network Bank and WFN Credit Company, LLC.	10-Q	10.4	11/7/11
10.117	(a)	World Financial Network Credit Card Master Trust III Amended and Restated Pooling and Servicing Agreement, dated as of September 28, 2001, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.6	11/7/08
10.118	(a)	First Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of April 7, 2004, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.7	11/7/08
10.119	(a)	Second Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of March 23, 2005, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.8	11/7/08
10.120	(a)	Third Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of October 26, 2007, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank of California, N.A. (successor to JPMorgan Chase Bank, N.A.).	10-Q	10.9	11/7/08
10.121	(a)	Fourth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of March 30, 2010, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank, N.A.	10-Q	10.9	5/7/10
10.122	(a)	Fifth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of September 30, 2011, among WFN Credit Company, LLC, World Financial Network Bank, and Union Bank, N.A.	10-Q	10.3	11/7/11

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.123	(a)	Supplemental Agreement to Amended and Restated Pooling and Servicing Agreement, dated as of August 9, 2010, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank, N.A.	10-K	10.134	2/28/11
10.124	(a)	Receivables Purchase Agreement, dated as of September 29, 2008, between World Financial Capital Bank and World Financial Capital Credit Company, LLC.	10-Q	10.3	11/7/08
10.125	(a)	Amendment No. 1 to Receivables Purchase Agreement, dated as of June 4, 2010, between World Financial Capital Bank and World Financial Capital Credit Company, LLC.	10-Q	10.11	8/9/10
10.126	(a)	Transfer and Servicing Agreement, dated as of September 29, 2008, among World Financial Capital Credit Company, LLC, World Financial Capital Bank and World Financial Capital Master Note Trust.	10-Q	10.4	11/7/08
10.127	(a)	Amendment No. 1 to Transfer and Servicing Agreement, dated as of June 4, 2010, among World Financial Capital Credit Company, LLC, World Financial Capital Bank and World Financial Capital Master Note Trust.	10-Q	10.12	8/9/10
10.128	(a)	Second Amended and Restated Series 2009-VFC1 Supplement, dated as of September 25, 2013, among WFN Credit Company, LLC, Comenity Bank and Deutsche Bank Trust Company Americas.	10-Q	10.4	11/5/13
10.129	(a)	First Amendment to Second Amended and Restated Series 2009-VFC1 Supplement, dated as of May 1, 2015, among Comenity Bank, WFN Credit Company, LLC, and Deutsche Bank Trust Company Americas.	10-Q	10.5	5/7/15
*10.130	(a)	Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of December 1, 2015, between World Financial Capital Master Note Trust and Deutsche Bank Trust Company Americas.			
10.131	(a)	Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of February 28, 2014, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	10-K	10.129	2/27/15
10.132	(a)	Amendment and Restatement Agreement, dated as of August 25, 2015, including Amended and Restated Facilities Agreement, as amended, by and among Brand Loyalty Group B.V. and certain subsidiaries parties thereto, as borrowers and guarantors, Deutsche Bank Nederland N.V. (as Arranger) and ING Bank N.V. (as Arranger, Agent and Security Agent).	8-K	10.1	8/28/15
10.133	(a)	Credit Agreement, dated as of July 10, 2013, by and among Alliance Data Systems Corporation, as borrower, and certain subsidiaries parties thereto, as guarantors, Wells Fargo Bank, N.A., as Administrative Agent, and various other agents and lenders.	8-K	10.1	7/16/13
10.134	(a)	First Amendment to Credit Agreement, dated as of December 8, 2014, by and among Alliance Data Systems Corporation, as borrower, and certain of its subsidiaries as guarantors, Wells Fargo Bank, N.A., as Administrative Agent and Letter of Credit Issuer, and various other lenders.	8-K	10.1	12/10/14

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.135	(a)	Second Amendment to Credit Agreement, dated as of September 25, 2015, by and among Alliance Data Systems Corporation, as borrower, and certain of its subsidiaries as guarantors, Wells Fargo Bank, N.A., as Administrative Agent and Letter of Credit Issuer, and various other lenders.	8-K	10.1	9/29/15
10.136	(a)	Indenture, dated March 29, 2012, by and among Alliance Data Systems Corporation, as issuer, and certain subsidiaries parties thereto, as guarantors, and Wells Fargo Bank, N.A., as Trustee (including the form of the Company's 6.375% Senior Note due April 1, 2020).	8-K	4.1	4/2/12
10.137	(a)	Indenture, dated November 20, 2012, by and among Alliance Data Systems Corporation, as issuer, and certain subsidiaries parties thereto, as guarantors, and Wells Fargo Bank, N.A., as Trustee (including the form of the Company's 5.250% Senior Note due December 1, 2017).	8-K	4.1	11/27/12
10.138	(a)	Indenture, dated July 29, 2014, by and among Alliance Data Systems Corporation, as issuer, and certain subsidiaries parties thereto, as guarantors, and Wells Fargo Bank, N.A., as trustee (including the form of the Company's 5.375% Senior Note due August 1, 2022).	8-K	4.1	7/30/14
10.139	(a)	Indenture, dated November 19, 2015, among Alliance Data Systems Corporation, certain of its subsidiaries as guarantor, U.S. Bank National Association, as trustee, Elavon Financial Services Limited, UK Branch, as paying agent, and Elavon Financial Services Limited, as registrar and transfer agent (including the form of the Company's 5.25% Senior Note due November 15, 2023).	8-K	4.1	11/20/15
*12.1	(a)	Statement re Computation of Ratios			
*21	(a)	Subsidiaries of the Registrant			
*23.1	(a)	Consent of Deloitte & Touche LLP			
*31.1	(a)	Certification of Chief Executive Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.			
*31.2	(a)	Certification of Chief Financial Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.			
*32.1	(a)	Certification of Chief Executive Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.			
*32.2	(a)	Certification of Chief Financial Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.			

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
*101.INS	(a)	XBRL Instance Document			
*101.SCH	(a)	XBRL Taxonomy Extension Schema Document			
*101.CAL	(a)	XBRL Taxonomy Extension Calculation Linkbase Document			
*101.DEF	(a)	XBRL Taxonomy Extension Definition Linkbase Document			
*101.LAB	(a)	XBRL Taxonomy Extension Label Linkbase Document			
*101.PRE	(a)	XBRL Taxonomy Extension Presentation Linkbase Document			

* Filed herewith

+ Management contract, compensatory plan or arrangement

(a) Alliance Data Systems Corporation

(b) WFN Credit Company

(c) World Financial Network Credit Card Master Trust

(d) World Financial Network Credit Card Master Note Trust

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ALLIANCE DATA SYSTEMS CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Alliance Data Systems Corporation and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Alliance Data Systems Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 25, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Alliance Data Systems Corporation and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015 of the Company and our report dated February 25, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 25, 2016

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2015	2014
	(In thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	\$ 1,168,037	\$ 1,077,152
Trade receivables, less allowance for doubtful accounts (\$4,042 and \$3,811 at December 31, 2015 and 2014, respectively)	706,506	743,294
Credit card and loan receivables:		
Credit card receivables – restricted for securitization investors	10,592,373	8,312,291
Other credit card and loan receivables	3,207,090	2,931,589
Total credit card and loan receivables	13,799,463	11,243,880
Allowance for loan loss	(741,611)	(570,171)
Credit card and loan receivables, net	13,057,852	10,673,709
Credit card and loan receivables held for sale	95,462	125,060
Deferred tax asset, net	288,098	218,872
Other current assets	477,898	456,349
Redemption settlement assets, restricted	456,564	520,340
Total current assets	16,250,417	13,814,776
Property and equipment, net	576,706	559,628
Deferred tax asset, net	617	164
Intangible assets, net	1,203,745	1,515,994
Goodwill	3,814,078	3,865,484
Other non-current assets	576,267	507,931
Total assets	<u>\$ 22,421,830</u>	<u>\$ 20,263,977</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 442,414	\$ 455,656
Accrued expenses	566,540	457,472
Contingent consideration	—	326,023
Deposits	2,981,917	2,645,995
Non-recourse borrowings of consolidated securitization entities	1,050,000	1,058,750
Current debt	369,649	208,164
Other current liabilities	294,377	306,123
Deferred revenue	698,997	846,370
Deferred tax liability, net	1,665	930
Total current liabilities	6,405,559	6,305,483
Deferred revenue	145,910	166,807
Deferred tax liability, net	631,510	690,175
Deposits	2,640,393	2,127,546
Non-recourse borrowings of consolidated securitization entities	5,443,166	4,133,166
Long-term and other debt	4,692,852	4,001,082
Other non-current liabilities	285,033	207,772
Total liabilities	20,244,423	17,632,031
Commitments and contingencies (Note 14)		
Redeemable non-controlling interest	167,377	235,566
Stockholders' equity:		
Common stock, \$0.01 par value; authorized, 200,000 shares; issued, 112,143 shares and 111,686 shares at December 31, 2015 and 2014, respectively	1,121	1,117
Additional paid-in capital	2,981,041	2,905,563
Treasury stock, at cost, 51,266 shares and 47,874 shares at December 31, 2015 and 2014, respectively	(3,927,345)	(2,975,795)
Retained earnings	3,092,464	2,540,948
Accumulated other comprehensive loss	(137,251)	(75,453)
Total stockholders' equity	2,010,030	2,396,380
Total liabilities and stockholders' equity	<u>\$ 22,421,830</u>	<u>\$ 20,263,977</u>

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2015	2014	2013
	(In thousands, except per share amounts)		
Revenues			
Transaction	\$ 336,778	\$ 337,391	\$ 329,027
Redemption	1,028,412	1,053,248	587,187
Finance charges, net	2,871,270	2,303,698	1,956,654
Marketing services	2,006,496	1,438,688	1,289,356
Other revenue	196,790	169,915	156,839
Total revenue	<u>6,439,746</u>	<u>5,302,940</u>	<u>4,319,063</u>
Operating expenses			
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	3,814,500	3,218,774	2,549,159
Provision for loan loss	668,200	425,205	345,758
General and administrative	138,483	141,468	109,115
Regulatory settlement	64,563	—	—
Earn-out obligation	—	105,944	—
Depreciation and other amortization	142,051	109,655	84,291
Amortization of purchased intangibles	350,089	203,427	131,828
Total operating expenses	<u>5,177,886</u>	<u>4,204,473</u>	<u>3,220,151</u>
Operating income	1,261,860	1,098,467	1,098,912
Interest expense			
Securitization funding costs	97,109	91,103	95,326
Interest expense on deposits	53,630	37,543	29,111
Interest expense on long-term and other debt, net	179,445	131,880	181,063
Total interest expense, net	<u>330,184</u>	<u>260,526</u>	<u>305,500</u>
Income before income taxes	931,676	837,941	793,412
Provision for income taxes	326,248	321,801	297,242
Net income	\$ 605,428	\$ 516,140	\$ 496,170
Less: Net income attributable to non-controlling interest	8,887	9,847	—
Net income attributable to common stockholders	<u>\$ 596,541</u>	<u>\$ 506,293</u>	<u>\$ 496,170</u>
Net income attributable to common stockholders per share:			
Basic	<u>\$ 8.91</u>	<u>\$ 8.72</u>	<u>\$ 10.09</u>
Diluted	<u>\$ 8.85</u>	<u>\$ 7.87</u>	<u>\$ 7.42</u>
Weighted average shares:			
Basic	<u>61,874</u>	<u>56,378</u>	<u>49,190</u>
Diluted	<u>62,301</u>	<u>62,445</u>	<u>66,866</u>

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2015	2014	2013
	(In thousands)		
Net income	\$ 605,428	\$ 516,140	\$ 496,170
Other comprehensive (loss) income:			
Unrealized loss on securities available-for-sale	(2,870)	(264)	(7,592)
Tax benefit (expense)	149	(1,271)	1,460
Unrealized loss on securities available-for-sale, net of tax	(2,721)	(1,535)	(6,132)
Unrealized (loss) gain on cash flow hedges	(1,359)	3,302	—
Tax benefit (expense)	358	(952)	—
Unrealized (loss) gain on cash flow hedges, net of tax	(1,001)	2,350	—
Foreign currency translation adjustments	(58,076)	(58,041)	9,766
Other comprehensive (loss) income, net of tax	(61,798)	(57,226)	3,634
Total comprehensive income, net of tax	\$ 543,630	\$ 458,914	\$ 499,804
Less: Comprehensive income attributable to non-controlling interest	9,630	11,766	—
Comprehensive income attributable to common stockholders	\$ 534,000	\$ 447,148	\$ 499,804

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Treasury Stock (In thousands)	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount					
January 1, 2013	94,963	\$ 950	\$ 1,454,230	\$ (2,458,092)	\$ 1,553,260	\$ (21,861)	\$ 528,487
Net income attributable to common stockholders	—	—	—	—	496,170	—	496,170
Other comprehensive income	—	—	—	—	—	3,634	3,634
Stock-based compensation	—	—	59,183	—	—	—	59,183
Repurchases of common stock	—	—	—	(231,085)	—	—	(231,085)
Warrant conversions	2,783	28	(37)	—	—	—	(9)
Other	556	5	(624)	—	—	—	(619)
December 31, 2013	<u>98,302</u>	<u>\$ 983</u>	<u>\$ 1,512,752</u>	<u>\$ (2,689,177)</u>	<u>\$ 2,049,430</u>	<u>\$ (18,227)</u>	<u>\$ 855,761</u>
Net income attributable to common stockholders	—	—	—	—	506,293	—	506,293
Accretion of non-controlling interest	—	—	—	—	(14,775)	—	(14,775)
Other comprehensive loss	—	—	—	—	—	(57,226)	(57,226)
Stock-based compensation	—	—	72,462	—	—	—	72,462
Repurchases of common stock	—	—	—	(286,618)	—	—	(286,618)
Warrant conversions	8,289	83	(1,559)	—	—	—	(1,476)
Acquisition of Conversant, Inc.	4,608	46	1,322,695	—	—	—	1,322,741
Other	487	5	(787)	—	—	—	(782)
December 31, 2014	<u>111,686</u>	<u>\$ 1,117</u>	<u>\$ 2,905,563</u>	<u>\$ (2,975,795)</u>	<u>\$ 2,540,948</u>	<u>\$ (75,453)</u>	<u>\$ 2,396,380</u>
Net income attributable to common stockholders	—	—	—	—	596,541	—	596,541
Accretion of non-controlling interest	—	—	—	—	(45,025)	—	(45,025)
Other comprehensive loss	—	—	—	—	—	(61,798)	(61,798)
Stock-based compensation	—	—	91,381	—	—	—	91,381
Repurchases of common stock	—	—	—	(951,550)	—	—	(951,550)
Other	457	4	(15,903)	—	—	—	(15,899)
December 31, 2015	<u>112,143</u>	<u>\$ 1,121</u>	<u>\$ 2,981,041</u>	<u>\$ (3,927,345)</u>	<u>\$ 3,092,464</u>	<u>\$ (137,251)</u>	<u>\$ 2,010,030</u>

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2015	2014	2013
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 605,428	\$ 516,140	\$ 496,170
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	492,140	313,082	216,119
Deferred income taxes	(121,342)	(13,391)	42,913
Provision for loan loss	668,200	425,205	345,758
Non-cash stock compensation	91,381	72,462	59,183
Amortization of discount on debt	867	12,709	65,677
Amortization of deferred financing costs	31,460	24,019	25,492
Earn-out obligation	—	105,944	—
Change in other operating assets and liabilities, net of acquisitions:			
Change in deferred revenue	(6,266)	(27,782)	(30,383)
Change in trade receivables	8,307	(156,003)	(33,414)
Change in accounts payable and accrued expenses	67,230	125,919	(28,011)
Change in other assets	(112,962)	(128,660)	(148,952)
Change in other liabilities	37,062	89,915	63,914
Change in contingent liability	(99,601)	—	—
Originations of credit card and loan receivables held for sale	(6,579,851)	(5,271,668)	(1,674,713)
Sales of credit card and loan receivables held for sale	6,567,105	5,284,880	1,612,631
Other	56,683	(28,612)	(8,892)
Net cash provided by operating activities	<u>1,705,841</u>	<u>1,344,159</u>	<u>1,003,492</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in redemption settlement assets	(22,396)	(59,701)	(54,572)
Change in cash collateral, restricted	15,750	12,658	32,405
Change in restricted cash	(2,061)	803	39,378
Change in credit card and loan receivables	(2,872,045)	(2,260,706)	(1,420,931)
Purchase of credit card portfolios	(243,151)	(953,171)	(46,705)
Sale of credit card portfolios	26,900	—	—
Payments for acquired businesses, net of cash	(45,430)	(1,195,808)	—
Capital expenditures	(191,683)	(158,694)	(135,376)
Purchases of other investments	(38,787)	(125,729)	(35,084)
Maturities/sales of other investments	11,800	7,227	2,852
Other	(1,445)	(4,000)	(1,383)
Net cash used in investing activities	<u>(3,362,548)</u>	<u>(4,737,121)</u>	<u>(1,619,416)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under debt agreements	3,087,414	3,431,087	1,985,000
Repayments of borrowings	(2,228,303)	(1,835,161)	(1,300,241)
Proceeds from convertible note hedge counterparties	—	1,519,833	1,056,307
Settlement of convertible note borrowings	—	(1,864,803)	(1,861,289)
Payment of acquisition-related contingent consideration	(205,928)	—	—
Acquisition of non-controlling interest	(87,376)	—	—
Issuances of deposits	3,252,198	3,820,867	1,989,576
Repayments of deposits	(2,403,429)	(1,863,686)	(1,401,625)
Non-recourse borrowings of consolidated securitization entities	4,675,000	2,670,000	2,268,285
Repayments/maturities of non-recourse borrowings of consolidated securitization entities	(3,373,750)	(2,070,000)	(1,807,339)
Payment of deferred financing costs	(29,512)	(55,119)	(24,772)
Excess tax benefits from stock-based compensation	20,134	34,159	17,267
Proceeds from issuance of common stock	18,003	17,063	14,090
Purchase of treasury shares	(951,550)	(286,618)	(231,085)
Other	—	(1,476)	(22)
Net cash provided by financing activities	<u>1,772,901</u>	<u>3,516,146</u>	<u>704,152</u>
Effect of exchange rate changes on cash and cash equivalents	(25,309)	(15,854)	(11,758)
Change in cash and cash equivalents	90,885	107,330	76,470
Cash and cash equivalents at beginning of year	1,077,152	969,822	893,352
Cash and cash equivalents at end of year	<u>\$ 1,168,037</u>	<u>\$ 1,077,152</u>	<u>\$ 969,822</u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	\$ 311,396	\$ 221,237	\$ 239,203
Income taxes paid, net	\$ 304,214	\$ 255,985	\$ 216,530

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

The Company operates in the following reportable segments: LoyaltyOne[®], Epsilon[®], and Card Services. In the first quarter of 2015, the Company renamed the Private Label Services and Credit segment to "Card Services," which had no impact to the reported results of the segment in the current or prior periods presented.

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

For purposes of comparability, certain prior period amounts have been reclassified to conform to the current year presentation in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the current period, the Company identified a mathematical error in the calculation of comprehensive income attributable to common stockholders for the year ended December 31, 2014 in the consolidated statements of comprehensive income. The previously reported amount of \$470.7 million has been corrected to \$447.1 million in the current year financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Redeemable Non-Controlling Interest—Non-controlling interest with redemption features, such as put options, that are not solely within the Company's control are considered redeemable non-controlling interests. Redeemable non-controlling interest is considered to be temporary equity and is therefore reported in the mezzanine section between liabilities and equity in the Company's consolidated balance sheets at the greater of the initial carrying amount, increased or decreased for the non-controlling interest's share of net income (loss), or its redemption value. The Company recognizes changes in the redemption value on a quarterly basis and adjusts the carrying amount of the non-controlling interest to equal the redemption value at each balance sheet date. Under this method, the balance sheet date is viewed as if it were also the redemption date for the non-controlling interest. The Company reflects redemption value adjustments in the earnings per share calculation if redemption value is in excess of the carrying value of the non-controlling interest.

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

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

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

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

Prior to the adoption of ASU 2009-13, the Company allocated the proceeds received from sponsors for the issuance of AIR MILES reward miles between the redemption element which represents the award ultimately provided to the collector and the service element which consists of direct marketing and support services. For contracts entered into prior to January 1, 2011, revenue related to the service element is determined using the residual method.

The adoption of ASU 2009-13 eliminated the use of the residual method for new sponsor agreements entered into, or existing sponsor agreements that are materially modified, after January 1, 2011. Effective January 1, 2015, all of the Company's sponsor contracts are accounted for under ASU 2009-13.

ASU 2009-13 also established the use of a three-level hierarchy when establishing the selling price and the relative selling price method when allocating arrangement consideration. The fair value of each element was determined using management's estimated selling price for that respective element. The Company determines its best estimate of selling price by considering multiple inputs and methods, including discounted cash flows, and the number of AIR MILES reward miles issued and expected to be redeemed. The Company estimates the selling prices and volumes over the term of the respective agreements in order to determine the allocation of proceeds to each of the multiple elements delivered.

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

Redemption revenue is recognized as the AIR MILES reward miles are redeemed; service revenue is recognized over the estimated life of an AIR MILES reward mile, or 42 months. The brand element is recognized as AIR MILES reward miles are issued. Revenue associated with both the service and brand element is included in transaction revenue in the Company's consolidated statements of income.

The amount of revenue recognized in a period is subject to the estimate of breakage and the estimated life of an AIR MILES reward mile. Breakage and the life of an AIR MILES reward mile are based on management's estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure. The Company determined that its estimate of breakage was 26% for the years ended December 31, 2015 and 2014 and 27% for the year ended December 31, 2013.

There have been no changes to the Company's estimate of the life of an AIR MILES reward mile in the periods presented in the financial statements.

Should there be a change in collector behavior with the advent of expiry, or redemptions exceed the Company's expectations, this could result in a change in the Company's estimates of breakage or the life of an AIR MILES reward mile.

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

Finance charges, net—Finance charges, net represents revenue earned on customer accounts serviced by the Company, and is recognized in the period in which it is earned. The Company recognizes earned finance charges, interest income and fees on credit card and loan receivables in accordance with the contractual provisions of the credit arrangements. As discussed in Note 4, "Credit Card and Loan Receivables," interest and fees continue to accrue on all credit card accounts beyond 90 days, except in limited circumstances, until the credit card account balance and all related interest and other fees are paid or charged-off, typically at 180 days delinquent. Charge-offs for unpaid interest and fees as well as any adjustments to the allowance associated with unpaid interest and fees are recorded as a reduction to finance charges, net. Pursuant to ASC 310-20, "Receivables – Nonrefundable Fees and Other Costs," direct loan origination costs on credit card and loan receivables are deferred and amortized on a straight-line basis over a one-year period and recorded as a reduction to finance charges, net. As of December 31, 2015 and 2014, the remaining unamortized deferred costs related to loan origination were \$44.5 million and \$32.0 million, respectively.

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

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

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

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

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

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

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

	Years Ended December 31,		
	2015	2014	2013
	(In thousands, except per share amounts)		
Numerator			
Net income attributable to common stockholders	\$ 596,541	\$ 506,293	\$ 496,170
Less: accretion of redeemable non-controlling interest	45,025	14,775	—
Net income attributable to common stockholders after accretion of redeemable non-controlling interest	<u>\$ 551,516</u>	<u>\$ 491,518</u>	<u>\$ 496,170</u>
Denominator			
Weighted average shares, basic	61,874	56,378	49,190
Weighted average effect of dilutive securities:			
Shares from assumed conversion of convertible senior notes	—	2,112	8,516
Shares from assumed exercise of convertible note warrants	—	3,421	8,482
Net effect of dilutive stock options and unvested restricted stock	427	534	678
Denominator for diluted calculation	<u>62,301</u>	<u>62,445</u>	<u>66,866</u>
Net income attributable to common stockholders per share:			
Basic	<u>\$ 8.91</u>	<u>\$ 8.72</u>	<u>\$ 10.09</u>
Diluted	<u>\$ 8.85</u>	<u>\$ 7.87</u>	<u>\$ 7.42</u>

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

Currency Translation—The assets and liabilities of the Company's subsidiaries outside the U.S. are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates, primarily from Canadian dollars and the Euro. Income and expense items are translated at the average exchange rates prevailing during the period. Gains and losses resulting from currency transactions are recognized currently in income and those resulting from translation of financial statements are included in accumulated other comprehensive income (loss). The Company recognized \$6.3 million, \$12.0 million and \$(1.0) million in foreign currency transaction gains (losses) for the years ended December 31, 2015, 2014 and 2013, respectively.

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

Advertising Costs—The Company participates in various advertising and marketing programs, including collaborative arrangements with certain clients. The cost of advertising and marketing programs is expensed in the period incurred. The Company has recognized advertising expenses, including advertising on behalf of its clients, of \$251.0 million, \$239.5 million and \$206.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

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

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

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Companies may adopt ASU 2014-09 using a full retrospective approach or report the cumulative effect as of the date of adoption. On July 9, 2015, the FASB voted to defer the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date and permitted early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is evaluating the impact that adoption of ASU 2014-09 will have on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis," which amends the consolidation requirements in ASC 810, "Consolidation." ASU 2015-02 makes targeted amendments to the current consolidation guidance for VIEs, which could change consolidation conclusions. ASU 2015-02 is effective for interim and annual periods beginning after December 15, 2015, with early application permitted. The Company does not expect the adoption of this standard to materially impact its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Subsequently, in August 2015, the FASB issued ASU 2015-15, "Imputation of Interest," which adds SEC staff guidance on the presentation of debt issuance costs related to line-of-credit arrangements, allowing for the deferral and presentation of debt issuance costs as an asset and subsequent amortization of the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company intends to maintain the deferral and presentation of these line-of-credit debt issuance costs as an asset. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015, with early application permitted. Under ASU 2015-03 and ASU 2015-15, unamortized debt issuance costs of \$72.0 million would be reclassified from other non-current assets to a reduction of debt as of December 31, 2015.

In April 2015, the FASB issued ASU 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." ASU 2015-05 provides guidance about whether a cloud computing arrangement includes a software license and is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of this standard to materially impact its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." ASU 2015-11 changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company does not expect the adoption of this standard to materially impact its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes." ASU 2015-17 requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. ASU 2015-17 is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company does not expect the adoption of this standard to materially impact its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 requires that equity investments be measured at fair value with changes in fair value recognized in net income. For equity investments without readily determinable fair values, entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices minus impairment. Additionally, ASU 2016-01 requires entities that elect the fair value option for financial liabilities to recognize changes in fair value related to instrument-specific credit risk in other comprehensive income. Finally, entities must assess valuation allowances for deferred tax assets related to available-for-sale debt securities in combination with their other deferred tax assets. ASU 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company is evaluating the impact that adoption of ASU 2016-01 will have on its consolidated financial statements.

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

3. ACQUISITIONS

2015 Acquisitions:

Edison International Concept & Agencies B.V. and Max Holding B.V.

On August 31, 2015, BrandLoyalty acquired all of the stock of Edison International Concept & Agencies B.V. ("Edison") and Max Holding B.V. ("Merison"), two Netherlands-based loyalty marketers, for cash consideration of approximately \$45.4 million, net of \$2.2 million of cash and cash equivalents acquired. The acquisition expands BrandLoyalty's short-term loyalty programs into new markets and introduces new brands to existing markets. Total net assets acquired were \$61.4 million, including \$6.7 million of intangible assets and \$34.7 million of goodwill, with total liabilities assumed of \$16.0 million. The goodwill resulting from the acquisition is not deductible for tax purposes. The results of Edison and Merison have been included since the date of acquisition and are reflected in the Company's LoyaltyOne segment.

2014 Acquisitions:

Brand Loyalty Group B.V.

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

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

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

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

Pursuant to the BrandLoyalty share purchase agreement, the Company may acquire the remaining 40% ownership interest in BrandLoyalty over a four-year period from the acquisition date at 10% per year at predetermined valuation multiples. If specified annual earnings targets are met by BrandLoyalty, the Company must acquire the additional 10% ownership interest for the year achieved; otherwise, the sellers have a put option to sell the Company their 10% ownership interest for the respective year. Effective January 1, 2015, the Company increased its ownership in BrandLoyalty to 70%.

In February 2015, the Company paid €269.9 million to settle the contingent consideration associated with the Company's 60% ownership interest and €77.2 million for the acquisition of the Company's additional 10% ownership interest in BrandLoyalty that was effective on January 1, 2015 (\$305.5 million and \$87.4 million on February 10, 2015, respectively).

The specified annual earnings target was met for the year ended December 31, 2015 and the Company acquired an additional 10% ownership interest effective January 1, 2016. See Note 15, "Redeemable Non-Controlling Interest," for more information. In February 2016, the Company paid €91.1 million for the acquisition of the Company's additional 10% ownership interest in BrandLoyalty that was effective on January 1, 2016 (\$102.0 million on February 8, 2016).

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

Conversant, Inc.

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

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

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

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

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

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

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

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

4. CREDIT CARD AND LOAN RECEIVABLES

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

	December 31, 2015	December 31, 2014
	(In thousands)	
Principal receivables	\$ 13,196,421	\$ 10,762,498
Billed and accrued finance charges	537,821	422,838
Other credit card and loan receivables	65,221	58,544
Total credit card and loan receivables	13,799,463	11,243,880
Less: credit card receivables – restricted for securitization investors	10,592,373	8,312,291
Other credit card and loan receivables	\$ 3,207,090	\$ 2,931,589

Allowance for Loan Loss

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

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

	Years Ended December 31,		
	2015	2014	2013
	(In thousands)		
Balance at beginning of year	\$ 570,171	\$ 503,169	\$ 481,958
Provision for loan loss	668,200	425,205	345,758
Change in estimate for uncollectible unpaid interest and fees	15,500	12,500	11,000
Recoveries	198,272	178,394	112,538
Principal charge-offs	(710,532)	(549,097)	(448,085)
Balance at end of year	\$ 741,611	\$ 570,171	\$ 503,169

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

The Company records the actual charge-offs for unpaid interest and fees as a reduction to finance charges, net. For the years ended December 31, 2015, 2014 and 2013, actual charge-offs for unpaid interest and fees were \$374.3 million, \$302.7 million and \$240.8 million, respectively.

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

Delinquencies

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

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

	<u>December 31,</u> <u>2015</u>	<u>% of</u> <u>Total</u>	<u>December 31,</u> <u>2014</u>	<u>% of</u> <u>Total</u>
	(In thousands, except percentages)			
Receivables outstanding - principal	\$ 13,196,421	100.0%	\$ 10,762,498	100.0%
Principal receivables balances contractually delinquent:				
31 to 60 days	\$ 178,526	1.4%	\$ 157,760	1.4%
61 to 90 days	124,095	0.9	93,175	0.9
91 or more days	256,949	1.9	182,945	1.7
Total	<u>\$ 559,570</u>	<u>4.2%</u>	<u>\$ 433,880</u>	<u>4.0%</u>

The practice of re-aging an account may affect credit card loan delinquencies and charge-offs. A re-age is intended to assist delinquent cardholders who have experienced financial difficulties but who demonstrate both an ability and willingness to repay the amounts due. Accounts meeting specific defined criteria are re-aged when the cardholder makes one or more consecutive payments aggregating a certain pre-defined amount of their account balance. With re-aging, the outstanding balance of a delinquent account is returned to a current status. For the years ended December 31, 2015, 2014 and 2013, the Company's re-aged accounts represented 1.3%, 1.2% and 1.4%, respectively, of total credit card and loan receivables for each period and thus do not have a significant impact on the Company's delinquencies or net charge-offs. The Company's re-aging practices comply with regulatory guidelines.

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

Modified Credit Card Receivables

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

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

The Company had \$169.2 million and \$134.9 million, respectively, as a recorded investment in impaired credit card receivables with an associated allowance for loan loss of \$36.7 million and \$35.2 million, respectively, as of December 31, 2015 and 2014. These modified credit card receivables represented less than 2% of the Company's total credit card receivables as of both December 31, 2015 and 2014. The average recorded investment in the impaired credit card receivables was \$147.0 million and \$117.9 million for the years ended December 31, 2015 and 2014, respectively.

Interest income on these modified credit card receivables is accounted for in the same manner as other accruing credit card receivables. Cash collections on these modified credit card receivables are allocated according to the same payment hierarchy methodology applied to credit card receivables that are not in such programs. The Company recognized \$14.8 million, \$13.2 million and \$12.7 million for the years ended December 31, 2015, 2014 and 2013, respectively, in interest income associated with modified credit card receivables during the period that such credit card receivables were impaired.

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

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Number of Restructurings	Pre-modification Outstanding Balance	Post-modification Outstanding Balance	Number of Restructurings	Pre-modification Outstanding Balance	Post-modification Outstanding Balance
	(Dollars in thousands)					
Troubled debt restructurings – credit card receivables	170,413	\$ 186,648	\$ 186,477	141,137	\$ 142,260	\$ 142,141

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

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Number of Restructurings	Outstanding Balance	Number of Restructurings	Outstanding Balance
	(Dollars in thousands)			
Troubled debt restructurings that subsequently defaulted – credit card receivables	79,478	\$ 82,377	60,427	\$ 59,862

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

Age of Credit Card and Loan Receivable Accounts

The following tables set forth, as of December 31, 2015 and 2014, the number of active credit card and loan accounts with balances and the related principal balances outstanding, based upon the age of the active credit card and loan accounts from origination:

Age of Accounts Since Origination	December 31, 2015			
	Number of Active Accounts with Balances	Percentage of Active Accounts with Balances	Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding
	(In thousands, except percentages)			
0-12 Months	6,514	28.2%	\$ 3,337,173	25.3%
13-24 Months	3,663	15.9	2,201,966	16.7
25-36 Months	2,438	10.6	1,501,899	11.4
37-48 Months	1,774	7.7	1,070,314	8.1
49-60 Months	1,323	5.7	803,678	6.1
Over 60 Months	7,351	31.9	4,281,391	32.4
Total	23,063	100.0%	\$ 13,196,421	100.0%

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

Credit Quality

The Company uses proprietary scoring models developed specifically for the purpose of monitoring the Company's obligor credit quality. The proprietary scoring models are used as a tool in the underwriting process and for making credit decisions. The proprietary scoring models are based on historical data and require various assumptions about future performance. Information regarding customer performance is factored into these proprietary scoring models to determine the probability of an account becoming 90 or more days past due at any time within the next 12 months. Obligor credit quality is monitored at least monthly during the life of an account. The following table reflects the composition of the Company's credit card and loan receivables by obligor credit quality as of December 31, 2015 and 2014:

Probability of an Account Becoming 90 or More Days Past Due or Becoming Charged-off (within the next 12 months)	December 31, 2015		December 31, 2014	
	Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding	Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding
	(In thousands, except percentages)			
No Score	\$ 164,585	1.2%	\$ 227,378	2.1%
27.1% and higher	1,248,250	9.5	499,989	4.6
17.1% - 27.0%	795,408	6.0	967,035	9.0
12.6% - 17.0%	1,042,439	7.9	1,129,122	10.5
3.7% - 12.5%	5,942,222	45.0	4,429,399	41.1
1.9% - 3.6%	1,736,127	13.2	2,254,794	21.0
Lower than 1.9%	2,267,390	17.2	1,254,781	11.7
Total	\$ 13,196,421	100.0%	\$ 10,762,498	100.0%

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

Transfer of Financial Assets

The Company originates loans under an agreement with one of its clients, and after origination, these loan receivables are sold to the client at par value plus accrued interest. These transfers qualify for sale treatment as they meet the conditions established in ASC 860-10, "Transfers and Servicing." Following the sale, the client owns the loan receivables, bears the risk of loss in the event of loan defaults and is responsible for all servicing functions related to the loan receivables. The loan receivables originated by the Company that have not yet been sold to the client were \$61.5 million and \$48.9 million at December 31, 2015 and December 31, 2014, respectively, and are included in credit card and loan receivables held for sale in the Company's consolidated balance sheets and carried at the lower of cost or fair value. The carrying value of these loan receivables approximates fair value due to the short duration between the date of origination and sale. Originations and sales of these loan receivables held for sale are reflected as operating activities in the Company's consolidated statements of cash flows.

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

During the years ended December 31, 2015 and 2014, the Company purchased \$328.2 and \$263.8 million of loan receivables under these agreements, respectively. The outstanding balance of these loan receivables was \$222.6 million and \$160.6 million as of December 31, 2015 and 2014, respectively, and was included in other credit card and loan receivables in the Company's consolidated balance sheets.

Portfolios Held for Sale

The Company has certain credit card portfolios held for sale, which are carried at the lower of cost or fair value, and were \$34.0 million and \$76.2 million as of December 31, 2015 and December 31, 2014, respectively. In June 2015, the Company sold one credit card portfolio previously classified as held for sale for cash proceeds of \$26.9 million and recognized a de minimis gain.

Portfolio Acquisitions

During the year ended December 31, 2014, the Company acquired four credit card portfolios for purchase prices totaling approximately \$972.6 million and consisting of \$855.9 million of credit card receivables and \$116.7 million of intangible assets.

During the year ended December 31, 2015, the Company acquired an existing co-brand credit card portfolio. The purchase price was approximately \$243.2 million, which is subject to customary purchase price adjustments, and consisted of \$223.3 million of credit card receivables and \$19.9 million of intangible assets.

In January 2016, the Company purchased an existing private label credit card portfolio for total consideration paid of \$547.5 million, subject to customary purchase price adjustments.

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

Securitized Credit Card Receivables

The Company regularly securitizes its credit card receivables through its credit card securitization trusts, consisting of the WFN Trusts and the WFC Trust. The Company continues to own and service the accounts that generate credit card receivables held by the WFN Trusts and the WFC Trust. In its capacity as a servicer, each of the respective banks earns a fee from the WFN Trusts and the WFC Trust to service and administer the credit card receivables, collect payments and charge-off uncollectible receivables. These fees are eliminated and therefore are not reflected in the consolidated statements of income for the years ended December 31, 2015, 2014 and 2013.

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

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

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

Cash collateral, restricted deposits are generally released proportionately as investors are repaid, although some cash collateral, restricted deposits are released only when investors have been paid in full. None of the cash collateral, restricted deposits were required to be used to cover losses on securitized credit card receivables in the periods ending December 31, 2015, 2014 and 2013, respectively.

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

	December 31, 2015	December 31, 2014
	(In thousands)	
Total credit card receivables – restricted for securitization investors	\$ 10,592,373	\$ 8,312,291
Principal amount of credit card receivables – restricted for securitization investors, 90 days or more past due	\$ 198,785	\$ 145,768

	Years Ended December 31,		
	2015	2014	2013
	(In thousands)		
Net charge-offs of securitized principal	\$ 407,410	\$ 317,877	\$ 311,111

5. INVENTORIES

Inventories of \$228.0 million and \$220.5 million at December 31, 2015 and 2014, respectively, consist of finished goods primarily to be utilized as rewards in the Company's loyalty programs and are included in other current assets in the Company's consolidated balance sheets.

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

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

6. OTHER INVESTMENTS

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

	December 31, 2015				December 31, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
(In thousands)								
Restricted cash	\$ 22,392	\$ —	\$ —	\$ 22,392	\$ 22,611	\$ —	\$ —	\$ 22,611
Marketable securities	121,543	402	(1,684)	120,261	100,072	66	(33)	100,105
U.S. Treasury bonds	100,044	177	(43)	100,178	95,669	520	(1,322)	94,867
Total	<u>\$ 243,979</u>	<u>\$ 579</u>	<u>\$ (1,727)</u>	<u>\$ 242,831</u>	<u>\$ 218,352</u>	<u>\$ 586</u>	<u>\$ (1,355)</u>	<u>\$ 217,583</u>

The following tables show the unrealized losses and fair value for those investments that were in an unrealized loss position as of December 31, 2015 and 2014, aggregated by investment category and the length of time that individual securities have been in a continuous loss position:

	December 31, 2015					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
Marketable securities	\$ 40,853	\$ (748)	\$ 34,575	\$ (936)	\$ 75,428	\$ (1,684)
U.S. Treasury bonds	49,967	(43)	—	—	49,967	(43)
Total	<u>\$ 90,820</u>	<u>\$ (791)</u>	<u>\$ 34,575</u>	<u>\$ (936)</u>	<u>\$ 125,395</u>	<u>\$ (1,727)</u>

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

The amortized cost and estimated fair value of the marketable securities and U.S. Treasury bonds at December 31, 2015 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Due in one year or less	\$ 31,644	\$ 31,584
Due after one year through five years	75,038	75,183
Due after five years through ten years	15,030	14,821
Due after ten years	99,875	98,851
Total	<u>\$ 221,587</u>	<u>\$ 220,439</u>

Market values were determined for each individual security in the investment portfolio. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the security's issuer, and the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company typically invests in highly-rated securities with low probabilities of default and has the intent and ability to hold the investments until maturity. As of December 31, 2015, the Company does not consider the investments to be other-than-temporarily impaired.

There were no realized gains or losses from the sale of investment securities for the years ended December 31, 2015, 2014 and 2013.

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

7. REDEMPTION SETTLEMENT ASSETS

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

	December 31, 2015				December 31, 2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)							
Cash and cash equivalents	\$ 270,324	\$ —	\$ —	\$ 270,324	\$ 237,127	\$ —	\$ —	\$ 237,127
Mutual funds	25,215	—	(321)	24,894	—	—	—	—
Corporate bonds	160,356	1,029	(39)	161,346	280,053	3,160	—	283,213
Total	<u>\$ 455,895</u>	<u>\$ 1,029</u>	<u>\$ (360)</u>	<u>\$ 456,564</u>	<u>\$ 517,180</u>	<u>\$ 3,160</u>	<u>\$ —</u>	<u>\$ 520,340</u>

The following table shows the unrealized losses and fair value for those investments that were in an unrealized loss position as of December 31, 2015, aggregated by investment category and the length of time that individual securities have been in a continuous loss position:

	December 31, 2015					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Mutual funds	\$ 24,894	\$ (321)	\$ —	\$ —	\$ 24,894	\$ (321)
Corporate bonds	27,836	(39)	—	—	27,836	(39)
Total	<u>\$ 52,730</u>	<u>\$ (360)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 52,730</u>	<u>\$ (360)</u>

There were no investments that were in an unrealized loss position at December 31, 2014.

The amortized cost and estimated fair value of the securities at December 31, 2015 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Due in one year or less	\$ 88,201	\$ 88,260
Due after one year through five years	97,370	97,980
Total	<u>\$ 185,571</u>	<u>\$ 186,240</u>

Market values were determined for each individual security in the investment portfolio. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the security's issuer, and the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company typically invests in highly-rated securities with low probabilities of default and has the intent and ability to hold the investments until maturity. As of December 31, 2015, the Company does not consider the investments to be other-than-temporarily impaired.

There were no realized gains or losses from the sale of investment securities for the years ended December 31, 2015, 2014 and 2013.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2015	2014
	(In thousands)	
Computer software and development	\$ 662,547	\$ 608,224
Furniture and equipment	309,327	259,129
Land, buildings and leasehold improvements	107,045	104,631
Construction in progress	80,184	44,737
Total	<u>1,159,103</u>	<u>1,016,721</u>
Accumulated depreciation	<u>(582,397)</u>	<u>(457,093)</u>
Property and equipment, net	<u>\$ 576,706</u>	<u>\$ 559,628</u>

Depreciation expense totaled \$86.1 million, \$67.1 million and \$53.7 million for the years ended December 31, 2015, 2014 and 2013, respectively, and includes purchased software. Amortization expense on capitalized software totaled \$94.6 million, \$48.2 million and \$33.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.

As of December 31, 2015 and 2014, the net amount of unamortized capitalized software costs included in the consolidated balance sheets was \$272.8 million and \$299.5 million, respectively.

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

9. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

Intangible assets consist of the following:

	December 31, 2015			Amortization Life and Method
	Gross Assets	Accumulated Amortization	Net	
	(In thousands)			
<i>Finite Lived Assets</i>				
Customer contracts and lists	\$ 1,195,214	\$ (361,579)	\$ 833,635	3-12 years—straight line
Premium on purchased credit card portfolios	259,477	(113,957)	145,520	3-10 years—straight line, accelerated
Customer database	210,300	(163,131)	47,169	3-10 years—straight line
Collector database	50,577	(47,747)	2,830	30 years—15% declining balance
Publisher networks	140,200	(29,238)	110,962	5-7 years—straight line
Tradenames	84,867	(44,107)	40,760	2-15 years—straight line
Purchased data lists	11,873	(6,372)	5,501	1-5 years—straight line, accelerated
Favorable lease	6,891	(1,873)	5,018	3-10 years—straight line
Noncompete agreements	1,300	(1,300)	—	3 years—straight line
	<u>\$ 1,960,699</u>	<u>\$ (769,304)</u>	<u>\$ 1,191,395</u>	
<i>Indefinite Lived Assets</i>				
Tradenames	12,350	—	12,350	Indefinite life
Total intangible assets	<u>\$ 1,973,049</u>	<u>\$ (769,304)</u>	<u>\$ 1,203,745</u>	
	December 31, 2014			Amortization Life and Method
	Gross Assets	Accumulated Amortization	Net	
	(In thousands)			
<i>Finite Lived Assets</i>				
Customer contracts and lists	\$ 1,328,056	\$ (295,263)	\$ 1,032,793	4-12 years—straight line
Premium on purchased credit card portfolios	289,173	(114,923)	174,250	3-10 years—straight line, accelerated
Customer databases	210,300	(126,157)	84,143	3-10 years—straight line
Collector database	60,238	(56,239)	3,999	30 years—15% declining balance
Publisher networks	140,200	(1,662)	138,538	5-7 years—straight line
Tradenames	86,934	(29,408)	57,526	2-15 years—straight line
Purchased data lists	12,335	(6,497)	5,838	1-5 years—straight line, accelerated
Favorable lease	6,891	(767)	6,124	3-10 years—straight line
Noncompete agreements	1,300	(867)	433	3 years—straight line
	<u>\$ 2,135,427</u>	<u>\$ (631,783)</u>	<u>\$ 1,503,644</u>	
<i>Indefinite Lived Assets</i>				
Tradenames	12,350	—	12,350	Indefinite life
Total intangible assets	<u>\$ 2,147,777</u>	<u>\$ (631,783)</u>	<u>\$ 1,515,994</u>	

With the Edison and Merison acquisition on August 31, 2015, the Company acquired \$6.7 million of intangible assets related to customer contracts, which are being amortized over a weighted average life of 3.0 years.

With the credit card portfolio acquisition made during the year ended December 31, 2015, the Company acquired \$19.9 million of intangible assets, consisting of \$13.1 million of customer relationships being amortized over a weighted average life of 3.5 years and \$6.8 million of marketing relationships being amortized over a weighted average life of 7.0 years.

With the BrandLoyalty acquisition on January 2, 2014, the Company acquired \$423.8 million of intangible assets, consisting of \$396.5 million of customer contracts and a \$27.3 million tradename, which are being amortized over weighted average lives of 7.0 years and 3.0 years, respectively. With the Conversant acquisition on December 10, 2014, the Company acquired \$755.6 million of intangible assets, consisting of \$544.0 million of customer contracts, \$140.2 million of publisher networks, \$63.6 million of customer databases, a \$4.2 million tradename and \$3.6 million of favorable leases, which are being amortized over weighted average lives of 7.3 years, 5.3 years, 3.0 years, 1.7 years and 5.4 years, respectively.

With the credit card portfolio acquisitions made during the year ended December 31, 2014, the Company acquired \$116.7 million of intangible assets, consisting of \$84.2 million of customer relationships being amortized over a weighted average life of 3.6 years and \$32.5 million of marketing relationships being amortized over a weighted average life of 6.1 years.

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

For more information on these business acquisitions, see Note 3, "Acquisitions," and for more information on these portfolio acquisitions, see Note 4, "Credit Card and Loan Receivables."

Amortization expense related to the intangible assets was approximately \$311.4 million, \$197.8 million and \$128.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

	For Years Ending December 31, (In thousands)
2016	\$ 310,226
2017	270,761
2018	214,962
2019	171,743
2020	116,953
2021 & thereafter	106,750

Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014, respectively, are as follows:

	LoyaltyOne	Epsilon	Card Services	Corporate/ Other	Total
			(In thousands)		
December 31, 2013	\$ 232,449	\$ 1,241,522	\$ 261,732	\$ —	\$ 1,735,703
Goodwill acquired during year	565,015	1,650,299	—	—	2,215,314
Effects of foreign currency translation	(84,007)	(1,526)	—	—	(85,533)
December 31, 2014	713,457	2,890,295	261,732	—	3,865,484
Goodwill acquired during year	34,712	—	—	—	34,712
Effects of foreign currency translation	(84,667)	(1,451)	—	—	(86,118)
December 31, 2015	663,502	2,888,844	261,732	—	3,814,078

For the year ended December 31, 2015, the Company acquired \$34.7 million of goodwill from the Edison and Merison acquisition in August 2015. For the year ended December 31, 2014, the Company acquired \$2.2 billion of goodwill of which \$565.0 million resulted from the BrandLoyalty acquisition in January 2014 and \$1.6 billion resulted from the Conversant acquisition in December 2014. See Note 3, "Acquisitions," for additional information.

The Company completed annual impairment tests for goodwill on July 31, 2015, 2014 and 2013 and determined at each date that no impairment exists. No further testing of goodwill impairments will be performed until July 31, 2016, unless events occur or circumstances indicate an impairment may have occurred.

10. ACCRUED EXPENSES

Accrued expenses consist of the following:

	December 31,	
	2015	2014
	(In thousands)	
Accrued payroll and benefits	\$ 193,067	\$ 182,148
Accrued taxes	102,922	34,461
Accrued other liabilities	270,551	240,863
Accrued expenses	\$ 566,540	\$ 457,472

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

11. DEBT

Debt consists of the following:

Description	December 31, 2015	December 31, 2014	Maturity	Interest Rate
	(Dollars in thousands)			
<i>Long-term and other debt:</i>				
2013 revolving line of credit	\$ 465,000	\$ —	July 2018 or December 2019	(1)
2013 term loans	2,703,750	2,603,125	Various (2)	(1)
BrandLoyalty revolving line of credit	69,731	108,789	August 2018	(3)
Senior notes due 2017	398,199	397,332	December 2017	5.250%
Senior notes due 2020	500,000	500,000	April 2020	6.375%
Senior notes due 2022	600,000	600,000	August 2022	5.375%
Senior notes due 2023	325,821	—	November 2023	5.250%
Total long-term and other debt	<u>5,062,501</u>	<u>4,209,246</u>		
Less: current portion	369,649	208,164		
Long-term portion	<u>\$ 4,692,852</u>	<u>\$ 4,001,082</u>		
<i>Deposits:</i>				
Certificates of deposit	\$ 4,252,024	\$ 3,934,906	Various – January 2016 – November 2021	0.43% to 2.80%
Money market deposits	1,370,286	838,635	On demand	(4)
Total deposits	<u>5,622,310</u>	<u>4,773,541</u>		
Less: current portion	2,981,917	2,645,995		
Long-term portion	<u>\$ 2,640,393</u>	<u>\$ 2,127,546</u>		
<i>Non-recourse borrowings of consolidated securitization entities:</i>				
Fixed rate asset-backed term note securities	\$ 3,458,166	\$ 3,376,916	Various - May 2016 – August 2020	0.91% to 4.55%
Floating rate asset-backed term note securities	810,000	450,000	February 2016 and April 2018	(5)
Conduit asset-backed securities	2,225,000	1,365,000	Various - March 2017 – December 2017	(6)
Total non-recourse borrowings of consolidated securitization entities	<u>6,493,166</u>	<u>5,191,916</u>		
Less: current portion	1,050,000	1,058,750		
Long-term portion	<u>\$ 5,443,166</u>	<u>\$ 4,133,166</u>		

(1) The interest rate is based upon the London Interbank Offered Rate ("LIBOR") plus an applicable margin. At December 31, 2015, the weighted average interest rate was 2.43% and 2.44% for the 2013 revolving line of credit and 2013 term loans, respectively.

(2) The maturity dates for the 2013 term loans are September 2016, July 2018 and December 2019.

(3) The interest rate is based upon the Euro Interbank Offered Rate plus an applicable margin. At December 31, 2015, the weighted average interest rate was 1.17%.

(4) The interest rates are based on the Federal Funds rate plus an applicable margin. At December 31, 2015, the interest rates ranged from 0.22% to 0.66%.

(5) The interest rates are based upon LIBOR plus an applicable margin. At December 31, 2015, the interest rates ranged from 0.71% to 0.81%.

(6) The interest rate is based upon LIBOR or the asset-backed commercial paper costs of each individual conduit provider plus an applicable margin. At December 31, 2015, the interest rates ranged from 1.34% to 1.57%.

At December 31, 2015, the Company was in compliance with its financial covenants.

ALLIANCE DATA SYSTEMS CORPORATION
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Credit Agreements

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

In July 2014, the Company exercised in part the accordion feature and increased the capacity under the revolving line of credit by \$50.0 million to \$1.3 billion.

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

The 2013 term loans, as amended, provide for aggregate principal payments of approximately 5% throughout the duration of the term, payable in equal quarterly installments.

On March 3, 2015, Conversant LLC and Commission Junction, LLC were added as guarantors for the 2013 Credit Agreement, as amended, as well as the senior notes due 2017, senior notes due 2020 and senior notes due 2022.

On September 25, 2015, the Company amended the 2013 Credit Agreement and borrowed incremental term loans in the aggregate principal amount of \$200.0 million that mature on September 23, 2016. These term loans bear interest at the same rates and are generally subject to the same terms as the existing term loans under the 2013 Credit Agreement. As amended, the 2013 Credit Agreement provides for term loans in the aggregate principal amount of \$2.85 billion (the "2013 term loans") and a \$1.3 billion revolving line of credit (the "2013 revolving line of credit").

The 2013 Credit Agreement, as amended, is unsecured.

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

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

Total availability under the 2013 revolving line of credit at December 31, 2015 was \$835.0 million.

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

BrandLoyalty Credit Agreement

As part of the BrandLoyalty acquisition, the Company assumed the debt outstanding under BrandLoyalty's Amended and Restated Senior Facilities Agreement, as amended dated as of December 19, 2013 (the "2013 BrandLoyalty Credit Agreement").

In August 2015, BrandLoyalty and certain of its subsidiaries, as borrower and guarantors, refinanced the 2013 BrandLoyalty Credit Agreement (as amended, the 2015 BrandLoyalty Credit Agreement) to provide for a committed revolving line of credit of €62.5 million and an uncommitted revolving line of credit of €62.5 million, both of which are scheduled to mature on August 25, 2018. The 2015 BrandLoyalty Credit Agreement is secured by the accounts receivable, inventory, fixed assets, bank accounts and shares of BrandLoyalty Group and certain of its subsidiaries.

Simultaneously with entering into the 2015 BrandLoyalty Credit Agreement in August 2015, BrandLoyalty terminated the 2013 BrandLoyalty Credit Agreement.

As of December 31, 2015, amounts outstanding under the committed revolving line of credit and the uncommitted revolving line of credit under the 2015 BrandLoyalty Credit Agreement were €30.0 million and €34.2 million (\$32.6 million and \$37.1 million), respectively.

All advances under the 2015 BrandLoyalty Credit Agreement are denominated in Euros. The interest rate fluctuates and is equal to EURIBOR, as defined in the 2015 BrandLoyalty Credit Agreement, plus an applicable margin based on BrandLoyalty's senior net leverage ratio. The 2015 BrandLoyalty Credit Agreement contains financial covenants, including a senior net leverage ratio, as well as usual and customary negative covenants and customary events of default.

Senior Notes

The senior notes set forth below are each governed by their respective indenture that includes usual and customary negative covenants and events of default for transactions of these types. These senior notes are unsecured and are guaranteed on a senior unsecured basis by certain of the Company's existing and future domestic subsidiaries that guarantee its 2013 Credit Agreement, as amended, as described above.

Due 2017

In November 2012, the Company issued and sold \$400.0 million aggregate principal amount of 5.250% senior notes due December 1, 2017 (the "Senior Notes due 2017") at an issue price of 98.912% of the aggregate principal amount. The Senior Notes due 2017 accrue interest on the principal amount at the rate of 5.250% per annum from November 20, 2012, payable semiannually in arrears, on June 1 and December 1 of each year, beginning on June 1, 2013. The unamortized discount was \$1.8 million and \$2.7 million at December 31, 2015 and December 31, 2014, respectively. The discount is being amortized using the effective interest method over the remaining life of the Senior Notes due 2017 which, at December 31, 2015, is a period of 1.9 years at an effective annual interest rate of 5.5%.

Due 2020

In March 2012, the Company issued and sold \$500.0 million aggregate principal amount of 6.375% senior notes due April 1, 2020 (the "Senior Notes due 2020"). The Senior Notes due 2020 accrue interest on the principal amount at the rate of 6.375% per annum from March 29, 2012, payable semiannually in arrears, on April 1 and October 1 of each year, beginning on October 1, 2012. The proceeds from the issuance of the Senior Notes due 2020 were used to repay outstanding indebtedness under the Company's 2013 Credit Agreement, as amended.

Due 2022

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

Due 2023

In November 2015, the Company issued and sold €300.0 million aggregate principal amount of 5.25% senior notes due November 15, 2023 (the "Senior Notes due 2023"). The Senior Notes due 2023 accrue interest on the principal amount at the rate of 5.25% per annum from November 19, 2015, payable semiannually in arrears, on May 15 and November 15 of each year, beginning on May 15, 2016. The amount outstanding under the Senior Notes due 2023 was €300.0 million (\$325.8 million) as of December 31, 2015. The Senior Notes due 2023 were admitted for listing on the Official List of the Irish Stock Exchange and for trading on the Global Exchange Market, effective January 18, 2016.

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

Deposits

Terms of the certificates of deposit range from three months to seven years with annual interest rates ranging from 0.43% to 2.80%, with a weighted average interest rate of 1.54%, at December 31, 2015 and 0.30% to 3.25%, with a weighted average interest rate of 1.27%, at December 31, 2014. Interest is paid monthly and at maturity.

Comenity Bank and Comenity Capital Bank offer demand deposit programs through contractual arrangements with securities brokerage firms. Money market deposits are redeemable on demand by the customer and, as such, have no scheduled maturity date. As of December 31, 2015, Comenity Bank and Comenity Capital Bank had \$1.4 billion in money market deposits outstanding with annual interest rates ranging from 0.22% to 0.66%, with a weighted average interest rate of 0.56%. As of December 31, 2014, Comenity Bank and Comenity Capital Bank had \$838.6 million in money market deposits outstanding with annual interest rates ranging from 0.01% to 0.42%, with a weighted average interest rate of 0.23%.

Non-Recourse Borrowings of Consolidated Securitization Entities

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

Asset-Backed Term Notes

In April 2015, Master Trust I issued \$500.0 million of asset-backed term notes, \$140.0 million of which were retained by the Company and eliminated from the consolidated financial statements. These securities mature in April 2018 and have a variable interest rate equal to LIBOR plus a margin of 0.48%.

In June 2015, \$450.0 million of Series 2010-A asset-backed term notes, \$56.2 million of which were retained by the Company and eliminated from the Company's consolidated financial statements, matured and were repaid.

In August 2015, Master Trust I issued \$625.0 million of asset-backed term notes, \$150.0 million of which were retained by the Company and eliminated from the Company's consolidated financial statements. These securities mature in August 2020 and have a fixed interest rate of 2.55%.

In September 2015, \$394.7 million of Series 2014-B asset-backed term notes, \$94.7 million of which were retained by the Company and eliminated from the Company's consolidated financial statements, matured and were repaid.

In October 2015, Master Trust I issued \$389.6 million of asset-backed term notes, \$89.6 million of which were retained by the Company and eliminated from the Company's consolidated financial statements. These securities mature in May 2017 and have a fixed interest rate of 1.26%.

Conduit Facilities

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

In April 2015, Master Trust I amended its 2009-VFN conduit facility, extending the maturity to March 31, 2017.

In May 2015, Master Trust III renewed its 2009-VFC1 conduit facility, increasing the capacity from \$440.0 million to \$900.0 million and extending the maturity to May 1, 2017.

In December 2015, the WFC Trust renewed its 2009-VFN conduit facility, increasing the capacity from \$450.0 million to \$1.05 billion and extending the maturity to December 1, 2017.

In December 2015, Master Trust I amended its 2009-VFN conduit facility, increasing the capacity from \$700.0 million to \$1.0 billion.

As of December 31, 2015, total capacity under the conduit facilities was \$3.0 billion, of which \$2.2 billion had been drawn and was included in non-recourse borrowings of consolidated securitization entities in the consolidated balance sheets. Borrowings outstanding under each facility bear interest at a margin above LIBOR or the asset-backed commercial paper costs of each individual conduit provider. The conduits have varying maturities from March 2017 to December 2017 with variable interest rates ranging from 1.34% to 1.57% as of December 31, 2015.

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

Maturities

Debt at December 31, 2015 matures as follows:

Year	Long-Term and Other Debt	Deposits (In thousands)	Non-Recourse Borrowings of Consolidated Securitization Entities
2016	\$ 369,649	\$ 2,981,917	\$ 1,050,000
2017 ⁽¹⁾	532,500	924,897	3,175,000
2018	217,493	740,099	991,000
2019	2,518,839	526,866	802,166
2020	500,000	423,913	475,000
Thereafter ⁽²⁾	925,821	24,618	—
Total maturities	5,064,302	5,622,310	6,493,166
Unamortized discount ⁽³⁾	(1,801)	—	—
	<u>\$ 5,062,501</u>	<u>\$ 5,622,310</u>	<u>\$ 6,493,166</u>

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

(2) Long Term and Other Debt includes \$325.8 million at December 31, 2015, for the €300.0 million Senior Notes due 2023.

(3) Unamortized discount represents the unamortized discount associated with the Senior Notes due 2017 at December 31, 2015.

12. DERIVATIVE INSTRUMENTS

The Company uses derivatives to manage risks associated with certain assets and liabilities arising from the potential adverse impact of fluctuations in interest rates and foreign currency exchange rates. The Company was not a party to any interest rate derivative instruments at December 31, 2015.

The Company enters into foreign currency derivatives to reduce the volatility of the Company's cash flows resulting from changes in foreign currency exchange rates associated with certain inventory transactions, certain of which are designated as cash flow hedges. Certain foreign currency exchange forward contracts are not designated as hedges as they do not meet the specific hedge accounting requirements of ASC 815, "Derivatives and Hedging." Changes in the fair value of the derivative instruments not designated as hedging instruments are recorded in the consolidated statements of income as they occur. Gains and losses on derivatives not designated as hedging instruments are included in other operating activities in the consolidated statements of cash flows for all periods presented.

Additionally, in November 2015, the Company designated its Euro-denominated Senior Notes due 2023 as a net investment hedge of its investment in BrandLoyalty, which has a functional currency of the Euro, in order to reduce the volatility in stockholders' equity caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. dollar. The change in fair value of the Senior Notes due 2023 due to remeasurement of the effective portion is recorded in other comprehensive income (loss). The ineffective portion of this hedging instrument impacts net income when the ineffectiveness occurs. For the year ended December 31, 2015, the Company did not record any ineffectiveness on its net investment hedge.

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

The following tables present the fair values of the derivative instruments and non-derivative instruments designated as hedges included within the Company's consolidated balance sheets as of December 31, 2015 and 2014:

	December 31, 2015			
	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Balance Sheet Location</u> (In thousands)	<u>Maturity</u>
<i>Designated as hedging instruments:</i>				
Foreign currency exchange hedges	\$ 56,668	\$ 2,678	Other current assets	January 2016 to October 2016
Foreign currency exchange hedges	\$ 23,681	\$ 431	Other current liabilities	January 2016 to September 2016
Net investment hedge	\$ 325,821	\$ 3,795	Long-term and other debt	November 2023
<i>Not designated as hedging instruments:</i>				
Foreign currency exchange forward contract	\$ 103,719	\$ 1,308	Other current liabilities	February 2016
Foreign currency exchange hedges	\$ 450	\$ 7	Other current liabilities	January 2016
	December 31, 2014			
	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Balance Sheet Location</u> (In thousands)	<u>Maturity</u>
<i>Designated as hedging instruments:</i>				
Foreign currency exchange hedges	\$ 50,908	\$ 3,528	Other current assets	January 2015 to September 2015
<i>Not designated as hedging instruments:</i>				
Foreign currency exchange hedges	\$ 3,125	\$ 343	Other current assets	January 2015 to March 2015
Foreign currency exchange forward contract	\$ 236,578	\$ 16,990	Other current liabilities	January 2015
Interest rate derivatives	\$ 79,429	\$ 330	Other current liabilities	December 2015 to August 2016

Losses of \$1.0 million, net of tax, were recognized in other comprehensive income for the year ended December 31, 2015 related to foreign exchange hedges designated as effective. Changes in the fair value of these hedges, excluding any ineffective portion are recorded in other comprehensive income until the hedged transactions affect net income. At December 31, 2015, \$0.2 million was reclassified from accumulated other comprehensive income into net income. The ineffective portion of these hedged transactions impacts net income when the ineffectiveness occurs. Ineffectiveness of \$0.1 million was recorded for the year ended December 31, 2015. At December 31, 2015, \$1.3 million is expected to be reclassified from accumulated other comprehensive income into net income in the coming 12 months.

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

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

The following table summarizes activity related to and identifies the location of the Company's derivatives not designated as hedging instruments for the years ended December 31, 2015, 2014 and 2013 recognized in the Company's consolidated statements of income:

Years Ended December 31,					
2015		2014		2013	
Income Statement Location	Gain (Loss) on Derivative Instruments	Income Statement Location	Gain (Loss) on Derivative Instruments	Income Statement Location	Gain (Loss) on Derivative Instruments
(In thousands)					
Interest rate derivatives	Interest expense on long-term and other debt, net \$ 213	Interest rate derivatives	Interest expense on long-term and other debt, net \$ 297	Interest rate derivatives	Securitization funding costs \$ 8,511
Foreign currency exchange forward contracts	General and administrative \$ (15,032)	Foreign currency exchange forward contracts	General and administrative \$ (16,990)	Foreign currency exchange forward contracts	General and administrative \$ —
Foreign currency exchange hedges	Cost of operations \$ 321	Foreign currency exchange hedges	Cost of operations \$ 257	Foreign currency exchange hedges	Cost of operations \$ —

The Company limits its exposure on derivatives by entering into contracts with institutions that are established dealers who maintain certain minimum credit criteria established by the Company. At December 31, 2015, the Company does not maintain any derivative instruments subject to master agreements that would require the Company to post collateral or that contain any credit-risk related contingent features.

13. DEFERRED REVENUE

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

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

	Deferred Revenue		
	Service	Redemption	Total
(In thousands)			
December 31, 2013	\$ 346,631	\$ 790,555	\$ 1,137,186
Cash proceeds	219,124	437,383	656,507
Revenue recognized	(202,828)	(481,577)	(684,405)
Other	—	85	85
Effects of foreign currency translation	(30,559)	(65,637)	(96,196)
December 31, 2014	332,368	680,809	1,013,177
Cash proceeds	200,193	381,153	581,346
Revenue recognized	(185,829)	(402,541)	(588,370)
Other	—	685	685
Effects of foreign currency translation	(54,420)	(107,511)	(161,931)
December 31, 2015	\$ 292,312	\$ 552,595	\$ 844,907
Amounts recognized in the consolidated balance sheets:			
Current liabilities	\$ 146,402	\$ 552,595	\$ 698,997
Non-current liabilities	\$ 145,910	\$ —	\$ 145,910

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

14. COMMITMENTS AND CONTINGENCIES

AIR MILES Reward Program

The Company has entered into contractual arrangements with certain AIR MILES Reward Program sponsors that result in fees being billed to those sponsors upon the redemption of AIR MILES reward miles issued by those sponsors. The Company has obtained letters of credit and other assurances from those sponsors for the Company's benefit that expire at various dates. These letters of credit and other assurances totaled \$144.5 million at December 31, 2015, which exceeds the amount of the Company's estimate of its obligation to provide travel and other rewards upon the redemption of the AIR MILES reward miles issued by those sponsors.

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

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

Leases

The Company leases certain office facilities and equipment under noncancellable operating leases and is generally responsible for property taxes and insurance related to such facilities. Lease expense was \$105.5 million, \$91.8 million and \$80.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Future annual minimum rental payments required under noncancellable operating leases, some of which contain renewal options, as of December 31, 2015, are:

Year	Future Minimum Rental Payments (In thousands)
2016	\$ 91,212
2017	80,865
2018	61,681
2019	56,248
2020	52,570
Thereafter	269,377
Total	<u>\$ 611,953</u>

Regulatory Matters

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

Quantitative measures established by regulations to ensure capital adequacy require Comenity Bank and Comenity Capital Bank (collectively, the "Banks") to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1 and total capital to risk weighted assets and of Tier 1 capital to average assets as well as adequate allowances for loan losses. Under the regulations, a "well capitalized" institution must have a Common Equity Tier 1 capital ratio of at least 6.5%, a Tier 1 capital ratio of at least 8%, a total capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order. An "adequately capitalized" institution must have a Common Equity Tier 1 capital ratio of at least 4.5%, a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 8% and a leverage ratio of at least 4%, but 3% is allowed in some cases. The Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio for Comenity Capital Bank were 13.0%, 13.0%, 14.3% and 13.3%, respectively, at December 31, 2015. The Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio for Comenity Bank were 14.4%, 14.4%, 15.7% and 14.8%, respectively, at December 31, 2015. Based on these guidelines, the Banks are considered well capitalized.

On September 8, 2015, each of the Banks entered into a consent order with the FDIC in settlement of the FDIC's review of the Banks' practices regarding the marketing, promotion and sale of certain add-on products. The Banks entered into the consent orders for the purpose of resolving these matters without admitting or denying any violations of law or regulation set forth in the orders.

Under the consent orders, the Banks will collectively provide restitution of approximately \$61.5 million to eligible customers for actions occurring between January 2008 and September 2014. In addition, the Banks collectively agreed to pay \$2.5 million in civil money penalties to the FDIC. Adequate provisions were made for these costs in the Company's consolidated financial statements as of December 31, 2015. Before the FDIC's review began, the Banks made changes to these add-on products, and they believe their current business practices substantially address the FDIC's concerns; however, the Banks also agreed to make further enhancements to their compliance and other processes related to the marketing, promotion and sale of these add-on products.

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

Cardholders

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

Holders of credit cards issued by the Company have available lines of credit, which vary by cardholder. These lines of credit represent elements of risk in excess of the amount recognized in the financial statements. The lines of credit are subject to change or cancellation by the Company. The Company had a total of 59.8 million accounts having unused lines of credit averaging \$1,980 per account. Within this total, the Company owns 12.7 million accounts through its agreements with one of its clients as discussed in "Transfer of Financial Assets" in Note 4, "Credit Card and Loan Receivables," with unused lines of credit averaging \$1,956 per account. The Company only bears the risk for its participating interest in the loan receivables originated by the Company and subsequently purchased by this client.

Legal Proceedings

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

15. REDEEMABLE NON-CONTROLLING INTEREST

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

The specified annual earnings target was met for the year ended December 31, 2014 and the Company acquired an additional 10% ownership interest effective January 1, 2015, increasing its ownership percentage to 70%. The Company paid €77.2 million on February 10, 2015 (\$87.4 million) to acquire this additional 10% ownership interest. The remaining 30% interests held by minority interest shareholders are considered redeemable non-controlling interests, as the acquisition of these interests is outside of the Company's control.

As of December 31, 2015, the remaining interests are not redeemable, but are probable to be redeemed. As such, the Company adjusted the carrying amount of the redeemable non-controlling interest to the estimated redemption value assuming the interests were redeemable as of December 31, 2015. The estimated redemption values are based on a formula as prescribed in the BrandLoyalty share purchase agreement.

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

	Redeemable Non-Controlling Interest
	(In thousands)
Balance at January 2, 2014	\$ 341,907
Net income attributable to non-controlling interest	9,847
Other comprehensive income attributable to non-controlling interest	1,988
Adjustment to redemption value	14,775
Foreign currency translation adjustments	(39,654)
Reclassification to accrued expenses	(93,297)
Balance at December 31, 2014	\$ 235,566
Net income attributable to non-controlling interest	8,887
Other comprehensive income attributable to non-controlling interest	900
Adjustment to redemption value	45,025
Foreign currency translation adjustments	(24,113)
Reclassification to accrued expenses	(98,888)
Balance at December 31, 2015	\$ 167,377

As of December 31, 2015, BrandLoyalty met the specified annual earnings target and the Company was obligated to acquire an additional 10% ownership interest, bringing the Company's ownership interest in BrandLoyalty to 80%, effective January 1, 2016. The Company recorded a liability of \$98.9 million (€91.1 million on December 31, 2015) for the acquisition of the additional 10% ownership interest, included in accrued expenses in the December 31, 2015 consolidated balance sheet. In February 2016, the Company paid €91.1 million for the acquisition of the Company's additional 10% ownership interest in BrandLoyalty that was effective on January 1, 2016 (\$102.0 million on February 8, 2016).

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

16. STOCKHOLDERS' EQUITY

Stock Repurchase Programs

In January 2013, the Company's Board of Directors authorized a stock repurchase program to acquire up to \$400.0 million of the Company's outstanding common stock from January 2, 2013 through December 31, 2013. In December 2013, the Company's Board of Directors authorized a stock repurchase program to acquire up to \$400.0 million of the Company's outstanding common stock from January 1, 2014 through December 31, 2014.

On January 1, 2015, the Company's Board of Directors authorized a stock repurchase program to acquire up to \$600.0 million of the Company's outstanding common stock from January 1, 2015 through December 31, 2015. On April 15, 2015, the Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2015 to acquire an additional \$400.0 million of the Company's outstanding common stock through December 31, 2015, for a total authorization of \$1.0 billion.

During the years ended December 31, 2015, 2014 and 2013, the Company repurchased approximately 3.4 million, 1.1 million and 1.4 million shares of its common stock for an aggregate amount of \$951.6 million, \$286.6 million and \$231.1 million, respectively.

At December 31, 2015, \$48.4 million of the stock repurchase program that was authorized in January 2015 and April 2015 expired unused.

On January 1, 2016, the Company's Board of Directors authorized a stock repurchase program to acquire up to \$500.0 million of the Company's outstanding common stock from January 1, 2016 through December 31, 2016. On February 15, 2016, the Company's Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2016 to acquire an additional \$500.0 million of the Company's outstanding common stock through December 31, 2016, for a total authorization of \$1.0 billion. The stock repurchase program is subject to any restrictions pursuant to the terms of the Company's credit agreements, indentures, and applicable securities laws or otherwise.

Stock Compensation Plans

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

The 2010 Omnibus Incentive Plan became effective July 1, 2010 and reserved 3,000,000 shares of common stock for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance share awards, cash incentive awards, deferred stock units, and other stock-based and cash-based awards to selected officers, employees, non-employee directors and consultants who performed services for the Company or its affiliates, with only employees eligible to receive incentive stock options. No more grants may be made from the 2010 Omnibus Incentive Plan, which expired on June 30, 2015.

On March 25, 2015, the Company's Board of Directors adopted the 2015 Omnibus Incentive Plan (the "2015 Plan"), which was subsequently approved by the Company's stockholders on June 3, 2015. The 2015 Plan became effective July 1, 2015 and expires on June 30, 2020. The 2015 Plan reserves 5,100,000 shares of common stock for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance share awards, cash incentive awards, deferred stock units, and other stock-based and cash-based awards to selected officers, employees, non-employee directors and consultants performing services for the Company or its affiliates, with only employees being eligible to receive incentive stock options.

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

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

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

Stock Compensation Expense

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

Total stock-based compensation expense recognized in the Company's consolidated statements of income for the years ended December 31, 2015, 2014 and 2013, is as follows:

	Years Ended December 31,		
	2015	2014	2013
	(In thousands)		
Cost of operations	\$ 72,569	\$ 50,790	\$ 40,264
General and administrative	18,812	21,672	18,919
Total	\$ 91,381	\$ 72,462	\$ 59,183

As the amount of stock-based compensation expense recognized is based on awards ultimately expected to vest, the amount recognized in the Company's results of operations has been reduced for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on the Company's historical experience. The Company's forfeiture rate was 5% for the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, there was approximately \$93.4 million of unrecognized expense, adjusted for estimated forfeitures, related to non-vested, stock-based equity awards granted to employees, which is expected to be recognized over a weighted average period of approximately 1.4 years.

Restricted Stock Unit Awards

During 2015, the Company awarded both service-based and performance-based restricted stock units. Fair value of the restricted stock units is estimated using the Company's closing share price on the date of grant. In accordance with ASC 718, the Company recognizes the estimated stock-based compensation expense, net of estimated forfeitures, over the applicable service period.

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

	Performance- Based	Service- Based	Total	Weighted Average Fair Value
Balance at January 1, 2013	773,841	315,151	1,088,992	\$ 93.33
Shares granted	409,575	92,206	501,781	155.31
Shares vested	(448,868)	(122,931)	(571,799)	88.15
Shares cancelled	(49,544)	(14,915)	(64,459)	115.83
Balance at December 31, 2013	685,004	269,511	954,515	\$ 121.86
Shares granted ⁽¹⁾	271,616	246,867	518,483	282.34
Shares vested	(405,655)	(99,037)	(504,692)	116.07
Shares cancelled	(32,898)	(16,074)	(48,972)	177.14
Balance at December 31, 2014	518,067	401,267	919,334	\$ 198.85
Shares granted	281,491	82,811	364,302	284.22
Shares vested	(315,330)	(178,691)	(494,021)	174.93
Shares cancelled	(37,862)	(29,849)	(67,711)	239.35
Balance at December 31, 2015	446,366	275,538	721,904	\$ 238.37
Outstanding and Expected to Vest			665,204	\$ 235.23

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

The total fair value of restricted stock units vested was \$86.4 million, \$58.6 million and \$50.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. The aggregate intrinsic value of restricted stock units outstanding and expected to vest was \$184.0 million at December 31, 2015. The weighted-average remaining contractual life for unvested restricted stock units was 1.4 years at December 31, 2015.

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

Stock Options

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

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

	Outstanding		Exercisable	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance at January 1, 2013	384,253	\$ 42.80	384,253	\$ 42.80
Granted	—	—		
Exercised	(143,577)	36.30		
Forfeited	(1,000)	31.38		
Balance at December 31, 2013	239,676	\$ 46.75	239,676	\$ 46.75
Granted ⁽¹⁾	49,117	41.94		
Exercised	(117,260)	48.68		
Forfeited	—	—		
Balance at December 31, 2014	171,533	\$ 44.05	165,745	\$ 44.62
Granted	—	—		
Exercised	(95,855)	39.89		
Forfeited	(2,318)	32.71		
Balance at December 31, 2015	73,360	\$ 49.84	73,053	\$ 49.96
Vested and Expected to Vest	73,334	\$ 49.85		

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

Based on the market value on their respective exercise dates, the total intrinsic value of stock options exercised was approximately \$24.3 million, \$25.9 million and \$25.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The aggregate intrinsic value of both the outstanding and exercisable stock options as of December 31, 2015 was approximately \$16.6 million. The weighted average remaining contractual life of stock options vested and exercisable as of December 31, 2015 was approximately 1.8 years.

The Company received cash proceeds of approximately \$3.8 million from stock options exercised during the year ended December 31, 2015.

17. EMPLOYEE BENEFIT PLANS

Employee Stock Purchase Plan

In June 2005, at the annual meeting of stockholders, the stockholders approved and adopted the Amended and Restated Employee Stock Purchase Plan (the "2005 ESPP"), effective on July 1, 2005. The Company amended its 2005 ESPP effective June 1, 2014, providing for six month offering periods, commencing on the first trading day of the first and third calendar quarter of each year and ending on the last trading day of each subsequent calendar quarter. The maximum number of shares reserved for issuance under the 2005 ESPP was 1,500,000 shares, subject to adjustment as provided in the 2005 ESPP. No more shares may be purchased under the 2005 ESPP, which expired on June 30, 2015.

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

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

During the year ended December 31, 2015, the Company issued 60,503 shares of common stock under the 2015 ESPP at a weighted-average issue price of \$241.50. Since its adoption on July 1, 2015, 60,503 shares of common stock have been issued, with 1,380,824 shares available for issuance under the 2015 ESPP.

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

2015 Omnibus Incentive Plan

At the June 3, 2015 annual meeting of stockholders, the Company's stockholders approved the 2015 Omnibus Incentive Plan. The 2015 plan authorizes the compensation committee to grant cash-based and other equity-based or equity-related awards, including deferred stock units. The maximum cash amount that may be awarded to any single participant in any one calendar year may not exceed \$7.5 million.

401(k) Retirement Savings Plan

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

Through December 31, 2013, the Company matched dollar-for-dollar on the first three percent of savings, and an additional fifty cents for each dollar an employee contributed for savings of more than three percent and up to five percent of pay. Effective January 1, 2014, the Company matches dollar-for-dollar up to five percent of savings. All company matching contributions are immediately vested. In addition to the company match, the Company may make an additional annual discretionary contribution based on the Company's profitability. This contribution, subject to Board of Director approval, is based on a percentage of pay and is subject to a separate three-year cliff vesting schedule. The discretionary contribution vests in full upon achieving three years of service for participants with less than three years of service. All of these contributions vest immediately if the participating employee has more than three years of service, attains age 65, becomes disabled, dies or if the 401(k) and Retirement Savings Plan terminates. Company matching and discretionary contributions for the years ended December 31, 2015, 2014 and 2013 were \$41.0 million, \$37.4 million and \$28.1 million, respectively.

The participants in the plan can direct their contributions and the Company's matching contribution to numerous investment options, including the Company's common stock. On July 20, 2001, the Company registered 1,500,000 shares of its common stock for issuance in accordance with its 401(k) and Retirement Savings Plan pursuant to a Registration Statement on Form S-8, File No. 333-65556. As of December 31, 2015, 667,857 of such shares remain available for issuance.

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

The Company provides for its Canadian employees the Group Retirement Savings Plan of the Loyalty Group ("GRSP"), which is a group retirement savings plan registered with the Canada Revenue Agency. Contributions made by Canadian employees on their behalf or on behalf of their spouse to the GRSP, and income earned on these contributions, are not taxable to employees until withdrawn from the GRSP. Employee contributions eligible for company match may not exceed the overall maximum allowed by the Income Tax Act (Canada); the maximum tax-deductible GRSP contribution is set by the Canada Revenue Agency each year. The Deferred Profit Sharing Plan ("DPSP") is a legal trust registered with the Canada Revenue Agency. Eligible full-time employees can participate in the GRSP after three months of employment and eligible part-time employees after six months of employment. Employees become eligible to receive company matching contributions into the DPSP on the first day of the calendar quarter following twelve months of employment. Based on the eligibility guidelines, the Company matches up to 5% of contributions dollar-for-dollar. Contributions made to the DPSP reduce an employee's maximum contribution amounts to the GRSP under the Income Tax Act (Canada) for the following year. All company matching contributions into the DPSP vest after receipt of one continuous year of DPSP contributions. LoyaltyOne matching and discretionary contributions were \$2.2 million for the year ended December 31, 2015, and \$2.1 million for each of the years ended December 31, 2014 and 2013.

Executive Deferred Compensation Plan and the Canadian Supplemental Executive Retirement Plan

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

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

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

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	Net Unrealized Gains (Losses) on Securities	Net Unrealized Gains (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments (1)	Accumulated Other Comprehensive Loss
	(In thousands)			
Balance as of January 1, 2013	\$ 10,321	\$ —	\$ (32,182)	\$ (21,861)
Changes in other comprehensive income (loss)	(6,132)	—	9,766	3,634
Balance at December 31, 2013	\$ 4,189	\$ —	\$ (22,416)	\$ (18,227)
Changes in other comprehensive income (loss) before reclassifications	(1,535)	2,661	(58,041)	(56,915)
Amounts reclassified from other comprehensive income (loss)	—	(311)	—	(311)
Changes in other comprehensive income (loss)	(1,535)	2,350	(58,041)	(57,226)
Balance at December 31, 2014	\$ 2,654	\$ 2,350	\$ (80,457)	\$ (75,453)
Changes in other comprehensive income (loss) before reclassifications	(2,721)	(844)	(58,076)	(61,641)
Amounts reclassified from other comprehensive income (loss)	—	(157)	—	(157)
Changes in other comprehensive income (loss)	(2,721)	(1,001)	(58,076)	(61,798)
Balance at December 31, 2015	\$ (67)	\$ 1,349	\$ (138,533)	\$ (137,251)

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

19. INCOME TAXES

The Company files a consolidated federal income tax return.

	Years Ended December 31,		
	2015	2014	2013
	(In thousands)		
Components of income before income taxes:			
Domestic	\$ 700,157	\$ 667,869	\$ 547,757
Foreign	231,519	170,072	245,655
Total	\$ 931,676	\$ 837,941	\$ 793,412
Components of income tax expense are as follows:			
Current			
Federal	\$ 322,244	\$ 224,604	\$ 188,600
State	53,178	31,049	33,595
Foreign	72,168	79,539	32,134
Total current	447,590	335,192	254,329
Deferred			
Federal	(100,245)	(14,250)	1,477
State	(10,991)	(18,935)	(1,485)
Foreign	(10,106)	19,794	42,921
Total deferred	(121,342)	(13,391)	42,913
Total provision for income taxes	\$ 326,248	\$ 321,801	\$ 297,242

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

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

	Years Ended December 31,		
	2015	2014	2013
	(In thousands)		
Expected expense at statutory rate	\$ 326,087	\$ 293,279	\$ 277,694
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal benefit	27,421	7,874	20,871
Foreign earnings at other than U.S. rates	(26,874)	(8,108)	(9,225)
U.S. tax on foreign dividends, net of credits	2,793	—	—
Non-deductible expenses (non-taxable income)	(722)	27,347	(742)
Other	(2,457)	1,409	8,644
Total	<u>\$ 326,248</u>	<u>\$ 321,801</u>	<u>\$ 297,242</u>

Deferred tax assets and liabilities consist of the following:

	December 31,	
	2015	2014
	(In thousands)	
Deferred tax assets		
Deferred revenue	\$ 200	\$ 7,111
Allowance for doubtful accounts	285,632	220,527
Net operating loss carryforwards and other carryforwards	130,153	98,910
Stock-based compensation and other employee benefits	41,433	44,694
Accrued expenses and other	80,395	48,444
Total deferred tax assets	537,813	419,686
Valuation allowance	(42,185)	(13,013)
Deferred tax assets, net of valuation allowance	495,628	406,673
Deferred tax liabilities		
Deferred income	\$ 357,385	\$ 301,282
Depreciation	15,003	19,379
Intangible assets	467,700	558,081
Total deferred tax liabilities	840,088	878,742
Net deferred tax liability	<u>\$ (344,460)</u>	<u>\$ (472,069)</u>

Amounts recognized in the consolidated balance sheets:

Current assets	\$ 288,098	\$ 218,872
Non-current assets	617	164
Current liabilities	(1,665)	(930)
Non-current liabilities	(631,510)	(690,175)
Total – Net deferred tax liability	<u>\$ (344,460)</u>	<u>\$ (472,069)</u>

At December 31, 2015, the Company has approximately \$30.5 million of U.S. federal net operating loss carryovers ("NOLs"), approximately \$6.1 million of capital losses, and approximately \$56.4 million of credits, of which \$55.5 million are foreign tax credits, that expire at various times through the year 2034. Pursuant to Section 382 and Section 383 of the Internal Revenue Code, the Company's utilization of such NOLs and a portion of such credits is subject to an annual limitation. At December 31, 2015, the Company has state income tax NOLs of approximately \$588.1 million, approximately \$6.1 million of capital losses, and state credits of approximately \$7.3 million available to offset future state taxable income. The state NOLs and credits will expire at various times through the year 2034. The Company believes it is more likely than not that the capital losses and a portion of the state credits and state NOLs will expire before being utilized. Therefore, in accordance with ASC 740-10, "Income Taxes—Overall—Initial Measurement," the Company has established a valuation allowance against the capital losses and a portion of the state credits and state NOLs that the Company expects to expire prior to utilization.

The Company has \$160.5 million of foreign NOLs and \$1.4 million of foreign capital losses at December 31, 2015, which have an unlimited carryforward period. The Company does not believe it is more likely than not that these NOLs or capital losses will be utilized and has therefore established a full valuation allowance against them.

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

The Company's valuation allowance increased during the year ended December 31, 2015 as the result of an increase in foreign NOLs that the Company does not believe will be utilized.

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

U.S. income tax has not been recognized on the excess of the amount for financial reporting over the tax basis of investments in certain foreign subsidiaries that is indefinitely reinvested outside the United States. The Company intends to permanently reinvest the undistributed earnings of these foreign subsidiaries in its operations outside the United States to support its international growth. As of December 31, 2015, the excess is approximately \$125.0 million. The determination of taxes associated with the \$125.0 million is not practicable.

The income tax expense does not reflect the tax effect of certain items recorded directly to additional paid-in capital. The net tax impact resulting from the exercise of employee stock options and other employee stock programs that was recorded in additional paid-in capital was approximately \$20.1 million, \$34.2 million and \$17.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

Balance at December 31, 2012	\$	76,154
Increases related to prior years' tax positions		4,328
Decreases related to prior years' tax positions		(1,580)
Increases related to current year tax positions		23,567
Settlements during the period		(197)
Lapses of applicable statutes of limitation		(918)
Balance at December 31, 2013	\$	101,354
Increases related to prior years' tax positions		3,500
Decreases related to prior years' tax positions		(4,184)
Increases related to current year tax positions		18,404
Settlements during the period		(1,841)
Lapses of applicable statutes of limitation		(1,936)
Increases related to acquisitions		22,253
Balance at December 31, 2014	\$	137,550
Increases related to prior years' tax positions		2,717
Decreases related to prior years' tax positions		(7,203)
Increases related to current year tax positions		27,529
Settlements during the period		(681)
Lapses of applicable statutes of limitation		(3,280)
Balance at December 31, 2015	\$	156,632

Included in the balance at December 31, 2015 are tax positions reclassified from deferred tax liabilities. Deductibility or taxability is highly certain for these tax positions but there is uncertainty about the timing of such deductibility or taxability. Because of the impact of deferred tax accounting, other than interest and penalties, this timing uncertainty would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company has potential cumulative interest and penalties with respect to unrecognized tax benefits of approximately \$31.9 million, \$25.2 million and \$18.5 million at December 31, 2015, 2014 and 2013, respectively. For the years ended December 31, 2015, 2014 and 2013, the Company recorded approximately \$4.5 million, \$1.4 million and \$2.1 million, respectively, in potential interest and penalties with respect to unrecognized tax benefits.

At December 31, 2015, 2014 and 2013, the Company had unrecognized tax benefits of approximately \$107.9 million, \$88.9 million and \$56.0 million, respectively that, if recognized, would impact the effective tax rate. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits over the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. With some exceptions, the tax returns filed by the Company are no longer subject to U.S. federal income tax examinations for the years before 2012, state and local examinations for years before 2011 or foreign income tax examinations for years before 2008.

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

20. FINANCIAL INSTRUMENTS

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

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

	December 31,			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets				
Cash and cash equivalents	\$ 1,168,037	\$ 1,168,037	\$ 1,077,152	\$ 1,077,152
Trade receivables, net	706,506	706,506	743,294	743,294
Credit card and loan receivables, net	13,057,852	13,057,852	10,673,709	10,673,709
Credit card and loan receivables held for sale	95,462	95,462	125,060	125,060
Redemption settlement assets, restricted	456,564	456,564	520,340	520,340
Other investments	242,831	242,831	217,583	217,583
Cash collateral, restricted	7,163	7,163	22,511	22,511
Derivative instruments	2,678	2,678	3,871	3,871
Financial liabilities				
Accounts payable	442,414	442,414	455,656	455,656
Derivative instruments	1,746	1,746	17,290	17,290
Deposits	5,622,310	5,654,624	4,773,541	4,801,464
Non-recourse borrowings of consolidated securitization entities	6,493,166	6,502,722	5,191,916	5,225,359
Long-term and other debt	5,062,501	5,040,000	4,209,246	4,227,414
Contingent consideration	—	—	326,023	326,023

Fair Value of Assets and Liabilities Held at December 31, 2015 and 2014

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

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

Credit card and loan receivables, net — The carrying amount of credit card and loan receivables, net approximates fair value due to the short maturity and average interest rates that approximate current market origination rates.

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

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

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

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

Cash collateral, restricted — Cash collateral, restricted consists of spread deposits and excess funding deposits and is included in other non-current assets in the consolidated balance sheets. Spread deposits are held by a trustee or agent and are used to absorb shortfalls in the available net cash flows related to securitized credit card receivables if those available net cash flows are insufficient to satisfy certain obligations of the WFN Trusts and WFC Trust. Spread deposits are recorded at their fair value based on discounted cash flow models. The Company uses a valuation model that calculates the present value of estimated cash flows for each asset. The fair value is based on the term of the underlying securities and a discount rate. Excess funding deposits represent cash amounts deposited with the trustee of the securitizations and are used to supplement seller's interest. The carrying amount of excess funding deposits approximates its fair value due to the relatively short maturity period and average interest rates, which approximate current market rates.

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

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

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

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

Contingent consideration — The contingent consideration was recorded at fair value. The fair value at inception was determined using a Monte Carlo simulation valuation technique, which is based on certain key assumptions, including the estimated 2014 earnings and net debt of BrandLoyalty, each as defined in the BrandLoyalty share purchase agreement, earnings volatility, and discount rate. As of December 31, 2014, the fair value was determined based on the provisions in the BrandLoyalty share purchase agreement, which included a defined multiple, 2014 BrandLoyalty EBITDA and net debt. This liability was settled in the first quarter of 2015.

Financial Assets and Financial Liabilities Fair Value Hierarchy

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

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

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

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

The following tables provide information for the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2015 and 2014:

	Balance at December 31, 2015	Fair Value Measurements at December 31, 2015 Using		
		Level 1	Level 2	Level 3
		(In thousands)		
Mutual funds (1)	\$ 24,894	\$ 24,894	\$ —	\$ —
Corporate bonds (1)	161,346	—	161,346	—
Marketable securities (2)	120,261	4,848	115,413	—
U.S. Treasury bonds (2)	100,178	100,178	—	—
Cash collateral, restricted (3)	7,163	2,250	—	4,913
Derivative instruments (4)	2,678	—	2,678	—
Total assets measured at fair value	\$ 416,520	\$ 132,170	\$ 279,437	\$ 4,913
Derivative instruments (4)	\$ 1,746	\$ —	\$ 1,746	\$ —
Total liabilities measured at fair value	\$ 1,746	\$ —	\$ 1,746	\$ —

	Balance at December 31, 2014	Fair Value Measurements at December 31, 2014 Using		
		Level 1	Level 2	Level 3
		(In thousands)		
Corporate bonds (1)	\$ 283,213	\$ —	\$ 283,213	\$ —
Cash collateral, restricted (3)	22,511	—	—	22,511
Marketable securities (2)	94,867	5,048	89,819	—
U.S. Treasury bonds (2)	100,105	100,105	—	—
Derivative instruments (4)	3,871	—	3,871	—
Total assets measured at fair value	\$ 504,567	\$ 105,153	\$ 376,903	\$ 22,511
Derivative instruments (4)	\$ 17,290	\$ —	\$ 17,290	\$ —
Contingent consideration	326,023	—	—	326,023
Total liabilities measured at fair value	\$ 343,313	\$ —	\$ 17,290	\$ 326,023

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

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

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

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

There were no transfers between Levels 1 and 2 within the fair value hierarchy for the years ended December 31, 2015 and 2014.

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

Spread deposits included in cash collateral, restricted are recorded at their fair value based on discounted cash flow models, utilizing the term of 10 months. The unobservable input used to calculate the fair value was the discount rate of 3.7%, which was based on an interest rate curve that is observable in the market as adjusted for a credit spread. Significant increases in the term or the discount rate would result in a lower fair value. Conversely, significant decreases in the term or the discount rate would result in a higher fair value. For the years ended December 31, 2015 and 2014, gains included in earnings attributable to cash collateral, restricted were included in securitization funding costs in the Company's consolidated statements of income.

The contingent consideration represents the additional consideration that the Company was required to pay as part of the earn-out provisions included in the BrandLoyalty share purchase agreement. The fair value was determined based on BrandLoyalty's earnings for the year ended December 31, 2014 using the methodology defined in the BrandLoyalty share purchase agreement. The obligation was settled in the first quarter of 2015.

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

	Cash Collateral, Restricted		Contingent Consideration	
	Years Ended December 31,		Years Ended December 31,	
	2015	2014	2015	2014
	(In thousands)			
Balance at beginning of year	\$ 22,511	\$ 34,124	\$ 326,023	\$ —
Total gains (realized or unrealized):				
Included in earnings	402	1,046	—	105,944
Purchases	—	—	547	248,702
Sales	—	—	—	—
Issuances	—	—	—	—
Settlements	(18,000)	(12,659)	(305,528)	—
Foreign currency transaction adjustments	—	—	(21,042)	(28,623)
Transfers in or out of Level 3	—	—	—	—
Balance at end of year	<u>\$ 4,913</u>	<u>\$ 22,511</u>	<u>\$ —</u>	<u>\$ 326,023</u>
Gains for the period included in earnings related to liability still held at end of year	<u>\$ 127</u>	<u>\$ 716</u>	<u>\$ —</u>	<u>\$ 77,321</u>

Financial Instruments Disclosed but Not Carried at Fair Value

The following tables provide assets and liabilities disclosed but not carried at fair value as of December 31, 2015 and 2014:

	Fair Value Measurements at			
	December 31, 2015			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Financial assets:				
Cash and cash equivalents	\$ 1,168,037	\$ 1,168,037	\$ —	\$ —
Credit card and loan receivables, net	13,057,852	—	—	13,057,852
Credit card and loan receivables held for sale	95,462	—	—	95,462
Total	<u>\$ 14,321,351</u>	<u>\$ 1,168,037</u>	<u>\$ —</u>	<u>\$ 13,153,314</u>
Financial liabilities:				
Deposits	\$ 5,654,624	\$ —	\$ 5,654,624	\$ —
Non-recourse borrowings of consolidated securitization entities	6,502,722	—	6,502,722	—
Long-term and other debt	5,040,000	—	5,040,000	—
Total	<u>\$ 17,197,346</u>	<u>\$ —</u>	<u>\$ 17,197,346</u>	<u>\$ —</u>

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

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

21. PARENT-ONLY FINANCIAL STATEMENTS

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

Balance Sheets

	December 31,	
	2015	2014
(In thousands)		
Assets:		
Cash and cash equivalents	\$ 103,998	\$ 533
Investment in subsidiaries	7,373,217	6,731,287
Intercompany receivables	174,818	378,562
Other assets	142,197	148,240
Total assets	<u>\$ 7,794,230</u>	<u>\$ 7,258,622</u>
Liabilities:		
Current debt	\$ 332,500	\$ 99,375
Long-term debt	4,660,270	4,001,082
Intercompany payables	—	—
Other liabilities	791,430	761,785
Total liabilities	<u>5,784,200</u>	<u>4,862,242</u>
Stockholders' equity	2,010,030	2,396,380
Total liabilities and stockholders' equity	<u>\$ 7,794,230</u>	<u>\$ 7,258,622</u>

Statements of Income

	Years Ended December 31,		
	2015	2014	2013
(In thousands)			
Interest from loans to subsidiaries	\$ 9,986	\$ 9,988	\$ 10,065
Dividends from subsidiaries	209,207	194,441	68,544
Total revenue	<u>219,193</u>	<u>204,429</u>	<u>78,609</u>
Interest expense, net	177,177	129,831	184,727
Other expenses, net	15,834	17,867	1,240
Total expenses	<u>193,011</u>	<u>147,698</u>	<u>185,967</u>
Income (loss) before income taxes and equity in undistributed net income of subsidiaries	26,182	56,731	(107,358)
Benefit for income taxes	70,224	36,615	32,909
Income (loss) before equity in undistributed net income of subsidiaries	96,406	93,346	(74,449)
Equity in undistributed net income of subsidiaries	509,022	422,794	570,619
Net income	<u>\$ 605,428</u>	<u>\$ 516,140</u>	<u>\$ 496,170</u>

Statements of Cash Flows

	Years Ended December 31,		
	2015	2014	2013
(In thousands)			
Net cash provided by (used in) operating activities	\$ 131,706	\$ (318,116)	\$ 144,841
Investing activities:			
Payments for acquired businesses, net of cash acquired	—	(1,003,237)	—
Repayment of loans to subsidiaries	—	112,903	—
Loans to subsidiaries	—	—	(112,903)
Investment in subsidiaries	(205,864)	(15,000)	—
Dividends received	209,207	194,441	68,544
Net cash provided by (used in) investing activities	<u>3,343</u>	<u>(710,893)</u>	<u>(44,359)</u>
Financing activities:			
Borrowings under debt agreements	2,971,027	3,358,000	1,985,000
Repayments of borrowings	(2,083,375)	(1,725,563)	(1,300,241)
Proceeds from convertible note hedge counterparties	—	1,519,833	1,056,307
Settlement of convertible note borrowings	—	(1,864,803)	(1,861,289)
Excess tax benefits from stock-based compensation	20,134	34,159	17,267
Payment of deferred financing costs	(5,823)	(36,269)	(12,784)
Purchase of treasury shares	(951,550)	(286,618)	(231,085)
Proceeds from issuance of common stock	18,003	17,063	14,090
Other	—	(1,476)	(9)
Net cash (used in) provided by financing activities	<u>(31,584)</u>	<u>1,014,326</u>	<u>(332,744)</u>
Change in cash and cash equivalents	103,465	(14,683)	(232,262)
Cash and cash equivalents at beginning of year	533	15,216	247,478
Cash and cash equivalents at end of year	<u>\$ 103,998</u>	<u>\$ 533</u>	<u>\$ 15,216</u>

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

22. SEGMENT INFORMATION

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

The Company operates in the following reportable segments: LoyaltyOne, Epsilon, and Card Services. In the first quarter of 2015, the Company renamed its Private Label Services and Credit segment to "Card Services," which had no impact to the reported results of the segment in the current or prior periods. Segment operations consist of the following:

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

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

<u>Year Ended December 31, 2015</u>	<u>LoyaltyOne</u>	<u>Epsilon</u>	<u>Card Services</u>	<u>Corporate/ Other</u>	<u>Eliminations</u>	<u>Total</u>
	(In thousands)					
Revenues	\$ 1,352,639	\$ 2,140,676	\$ 2,974,365	\$ 321	\$ (28,255)	\$ 6,439,746
Income (loss) before income taxes	\$ 205,705	\$ 134,890	\$ 915,862	\$ (324,781)	\$ —	\$ 931,676
Interest expense, net	2,481	(26)	150,739	176,990	—	330,184
Operating income (loss)	208,186	134,864	1,066,601	(147,791)	—	1,261,860
Depreciation and amortization	82,484	327,007	73,020	9,629	—	492,140
Stock compensation expense	10,829	46,499	15,241	18,812	—	91,381
Regulatory settlement	—	—	64,563	—	—	64,563
Adjusted EBITDA ⁽¹⁾	301,499	508,370	1,219,425	(119,350)	—	1,909,944
Less: Securitization funding costs	—	—	97,109	—	—	97,109
Less: Interest expense on deposits	—	—	53,630	—	—	53,630
Less: Adjusted EBITDA attributable to non-controlling interest	30,935	—	—	—	—	30,935
Adjusted EBITDA, net ⁽¹⁾	\$ 270,564	\$ 508,370	\$ 1,068,686	\$ (119,350)	\$ —	\$ 1,728,270
Capital expenditures	\$ 35,650	\$ 106,445	\$ 35,697	\$ 13,891	\$ —	\$ 191,683
Total assets	\$ 1,988,467	\$ 4,737,688	\$ 15,421,151	\$ 274,524	\$ —	\$ 22,421,830

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

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

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

⁽¹⁾ Adjusted EBITDA is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on GAAP plus stock compensation expense, provision for income taxes, interest expense, net, depreciation and other amortization, and the amortization of purchased intangibles. In 2015, adjusted EBITDA excluded costs associated with the consent orders with the FDIC, and in 2014, adjusted EBITDA excluded business acquisition costs related to the Conversant acquisition and the contingent consideration incurred as a result of the earn-out obligation associated with the BrandLoyalty acquisition. Adjusted EBITDA, net is also a non-GAAP financial measure equal to adjusted EBITDA less securitization funding costs, interest expense on deposits and adjusted EBITDA attributable to the non-controlling interest. Adjusted EBITDA and adjusted EBITDA, net are presented in accordance with ASC 280 as they are the primary performance metric utilized to assess performance of the segments.

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

	<u>United States</u>	<u>Canada</u>	<u>Europe, Middle East and Africa</u>	<u>Asia Pacific</u>	<u>Other</u>	<u>Total</u>
(In thousands)						
Revenues						
Year Ended December 31, 2015	\$ 5,020,249	\$ 761,180	\$ 536,695	\$ 113,695	\$ 7,927	\$ 6,439,746
Year Ended December 31, 2014	\$ 3,867,013	\$ 851,641	\$ 463,299	\$ 101,245	\$ 19,742	\$ 5,302,940
Year Ended December 31, 2013	\$ 3,327,688	\$ 906,459	\$ 80,280	\$ 4,636	\$ —	\$ 4,319,063
Long-Lived Assets						
Year Ended December 31, 2015	\$ 5,157,896	\$ 235,546	\$ 767,478	\$ 10,373	\$ 120	\$ 6,171,413
Year Ended December 31, 2014	\$ 5,295,776	\$ 282,663	\$ 865,961	\$ 4,666	\$ 135	\$ 6,449,201

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

23. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Unaudited quarterly results of operations for the years ended December 31, 2015 and 2014 are presented below.

	Quarter Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
	(In thousands, except per share amounts)			
Revenues	\$ 1,601,157	\$ 1,500,618	\$ 1,589,117	\$ 1,748,854
Operating expenses ⁽¹⁾	1,276,613	1,214,895	1,301,606	1,384,772
Operating income	324,544	285,723	287,511	364,082
Interest expense, net	78,007	80,715	82,098	89,364
Income before income taxes	246,537	205,008	205,413	274,718
Provision for income taxes	81,705	74,969	75,031	94,543
Net income	164,832	130,039	130,382	180,175
Less: net income (loss) attributable to non-controlling interest	2,273	(1,298)	1,952	5,960
Net income attributable to common stockholders	\$ 162,559	\$ 131,337	\$ 128,430	\$ 174,215
Net income attributable to common stockholders per share:				
Basic	\$ 2.34	\$ 2.12	\$ 2.09	\$ 2.36
Diluted	\$ 2.32	\$ 2.11	\$ 2.08	\$ 2.35

	Quarter Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	(In thousands, except per share amounts)			
Revenues	\$ 1,232,900	\$ 1,265,158	\$ 1,319,133	\$ 1,485,749
Operating expenses ⁽²⁾	951,108	982,618	997,492	1,273,255
Operating income	281,792	282,540	321,641	212,494
Interest expense, net	67,747	62,932	61,464	68,383
Income before income taxes	214,045	219,608	260,177	144,111
Provision for income taxes	78,298	80,419	95,229	67,855
Net income	135,747	139,189	164,948	76,256
Less: net (loss) income attributable to non-controlling interest	(1,648)	1,745	706	9,044
Net income attributable to common stockholders	\$ 137,395	\$ 137,444	\$ 164,242	\$ 67,212
Net income attributable to common stockholders per share:				
Basic	\$ 2.59	\$ 2.54	\$ 2.84	\$ 0.87
Diluted	\$ 2.08	\$ 2.19	\$ 2.74	\$ 0.86

(1) Included in operating expenses in the quarter ended September 30, 2015 is \$64.6 million in costs associated with the consent orders with the FDIC to provide restitution to eligible customers as well as civil penalties.

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

SCHEDULE II
ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Write-Offs Net of Recoveries	Balance at End of Year
			(In thousands)		
Allowance for Doubtful Accounts —Trade receivables:					
Year Ended December 31, 2015	\$ 3,811	\$ 2,519	\$ 2,113	\$ (4,401)	\$ 4,042
Year Ended December 31, 2014	\$ 2,262	\$ 2,857	\$ 143	\$ (1,451)	\$ 3,811
Year Ended December 31, 2013	\$ 3,919	\$ 386	\$ 1,273	\$ (3,316)	\$ 2,262

BUILD-TO-SUIT NET LEASE

between

GLENBOROUGH PROPERTIES, L.P.

as Landlord

and

ADS ALLIANCE DATA SYSTEMS, INC.

as Tenant

BUILD-TO-SUIT NET LEASE

THIS BUILD-TO-SUIT NET LEASE ("Lease") is entered into as of January 11th, 2001 by and between the Landlord and Tenant identified in Section 1.1.

1. DEFINITIONS AND EXHIBITS

1.1 Definitions. In this Lease, the following defined terms have the meanings set forth for them below or in the section of this Lease indicated below:

"ADA" means the Americans with Disabilities Act, as amended from time to time.

"Additional Rent" means all amounts required to be paid by Tenant under this Lease in addition to Basic Rent including, without limitation, Taxes and insurance premiums.

"Affiliates" means, with respect to any party, any entities or individuals that control, are controlled by or are under common control with such party, together with its and their respective partners, venturers, directors, officers, shareholders, trustees, trustors, beneficiaries, agents, employees and spouses.

"Basic Rent" means the Rent payable according to Section 4.1.

"Building" means the building, initially containing at least 65,000 square feet, to be constructed by Landlord for Tenant upon the Land according to Section 3.

"Business Day" means Monday through Friday of each calendar week, excluding New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

"Change Order" has the meaning set forth in Section 3.11.

"Cold Shell" means those portions of the Building and the associated site Improvements on the Land (such as driveways, parking areas, landscaping and exterior lighting) that are specified on Exhibit B.

"Cold Shell Plans" means construction plans and specifications for the Cold Shell.

"Cold Shell Proposal" has the meaning set forth in Section 3.7.

"Commencement Date" means the first day of the Initial Term, which will be the Projected Commencement Date, unless the Commencement Date is extended according to Section 3.2.

"Design Information" has the meaning set forth in Section 3.5.

"Environmental Laws" means the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Comprehensive Environmental Response, Compensation and Liability Act, U.S.C. Section 9601 et seq. (including the so-called "Superfund" amendments thereto), any other applicable Laws governing or pertaining to any hazardous substances, hazardous wastes, chemicals or other materials, including, without limitation, asbestos, polychlorinated biphenyls,

radon, petroleum and any derivative thereof or any common law theory based on nuisance or strict liability.

"Event of Default" has the meaning set forth in Section 15.2.

"First Renewal Term" has the meaning set forth in Section 2.5.

"Hazardous Substance" means any substance, chemical or material declared to be, or regulated as, hazardous or toxic under any Environmental Law or the presence of which may give rise to liability under any Environmental Law.

"Improvements" means the Building, the Leasehold Improvements, and any other structures, pavement, landscaping, lighting fixtures or other improvements now or later constructed or installed upon the Land.

"Initial Term" means that certain period beginning on the Commencement Date and ending on August 31, 2007 (the "Expiration Date").

"Interest Rate" means the prime interest rate (as published from time to time by The Wall Street Journal, and with any changes in such rate to be effective on the date such change is published) plus per annum, but if such rate exceeds the maximum interest rate permitted by law, such rate will be reduced to the highest rate allowed by law under the circumstances.

"Land" means the real property located on 122nd Avenue near its intersection with Huron Street in Westminster, Colorado (including all of its appurtenant rights and easements) and legally described on Exhibit A.

"Landlord" means Glenborough Properties, L.P., a California limited partnership.

"Landlord's Notice Address" means:

c/o Glenborough Realty Trust Incorporated
400 South El Camino Real, Suite 1100
San Mateo, CA 94402-1700
Attention: Legal Department
Telecopy: (650) 343-1046

with a copy to:

c/o Glenborough Realty Trust Incorporated
3950 North Lewiston, Suite 320
Aurora, CO 80011
Telecopy: (303) 307-9060

"Landlord's Rent Address" means:

c/o Glenborough Realty Trust Incorporated
3950 North Lewiston. Suite 320
Aurora, CO 80011
Telecopy: (303) 307-9060

"Landlord's Representative" means Sandra Boyle or Matt Wilson.

"Landlord's Taking Share" means, with respect to any taking by eminent domain of Leasehold Improvements during the Initial Term, that percentage obtained by dividing the number of months from the Commencement Date to the month in which possession of such Leasehold Improvements is taken by the total number of months in the Term.

"Landlord's Work" means the construction and installation of the Cold Shell and the Leasehold Improvements.

"Laws" means any and all present or future federal, state or local laws, statutes, ordinances, rules, regulations or orders of any and all governmental or quasi-governmental authorities having jurisdiction.

"Leasehold Improvements" means all leasehold improvements and installations (including Tenant's sign), in addition to the Cold Shell, that are to be constructed or installed by Landlord for Tenant according to Section 3.

"Leasehold Improvements Plans" means construction plans and specifications for the Leasehold Improvements.

"Premises" means the Land and all Improvements.

"Projected Commencement Date" means March 15, 2002.

"Rent" means Basic Rent and all Additional Rent.

"Renewal Term" has the meaning set forth in Section 2.5.

"Second Renewal Term" has the meaning set forth in Section 2.5.

"Substantially Completed" has the meaning set forth in Section 3.2.

"Taxes" means all ad valorem real and personal property taxes and assessments, special or otherwise, levied upon or with respect to the Premises, the personal property used in operating the Premises, and the rents and additional charges payable by Tenant according to this Lease, and imposed by any taxing authority having jurisdiction; and all taxes, levies and charges which may be assessed, levied or imposed in replacement of, or in addition to, all or any part of ad valorem real or personal property taxes or assessments as revenue sources, and which in whole or in part are measured or calculated by or based upon the Premises, the leasehold estate of Landlord or Tenant in and to the Premises, or the rents and other charges payable by Tenant according to this Lease. Taxes will not include any net income, franchise, inheritance or similar taxes of Landlord.

"Tax Year" means a 12-month period for which Taxes are assessed.

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

"Tenant's Cost" has the meaning set forth in Section 3.1.

"Tenant's Notice Address" means,

for notices given before the Commencement Date:

555 West I 12th Avenue
Northglenn, Colorado 80234
Attention: Sid Pinhas
Telecopy: 303-255-5222

with a copy at the same time to

17655 Waterview Parkway
Dallas, Texas 75252
Attention: John Clyne
Telecopy: (972) 348-5261

and for notices given after the Commencement Date:

Tenant's address at the Premises, with a copy at the same time to:

17655 Waterview Parkway
Dallas, Texas 75252
Attention: John Clyne
Telecopy: (972) 348-5261

"Tenant's Representative" means Oren Snell or OJ Jones.

"Term" means the duration of this Lease, which will be the Initial Term, unless terminated earlier or extended further as provided in this Lease. The Term will also include any exercised Renewal Term.

1.2 Exhibits. The Exhibits listed below are attached to, or will be attached to, and incorporated in this Lease. In the event of any inconsistency between such Exhibits and the terms and provisions of this Lease, the terms and provisions of the Exhibits will control. The Exhibits to this Lease are:

Exhibit A – Legal Description of the Land
Exhibit B – Cold Shell Specifications
Exhibit C – Matters Affecting Landlord's Title
Exhibit D – Land Costs

2. GRANT OF LEASE; RENEWAL OPTIONS

2.1 Demise. Subject to the terms, covenants, conditions and provisions of this Lease, Landlord leases to Tenant and Tenant leases from Landlord the Premises for the Term.

2.2 Quiet Enjoyment. Landlord covenants that Tenant, upon paying the Basic Rent and Additional Rent and performing all other obligations of Tenant under this Lease, will have quiet and peaceful possession of the Premises during the Term, and such possession will not be disturbed by Landlord or anyone claiming by, through or under Landlord. Upon Landlord's acquisition of the Land, Landlord will own the Land in fee simple, subject only to the matters set forth on Exhibit C.

2.3 Landlord and Tenant Covenants. Landlord covenants to observe and perform all of the terms, covenants and conditions applicable to Landlord in this Lease. Tenant covenants to pay the Rent when due, and to observe and perform all of the terms, covenants and conditions applicable to Tenant in this Lease.

2.4 Memorandum of Term. Promptly after execution of this Lease, Landlord and Tenant will execute and acknowledge a recordable memorandum setting forth the Projected Commencement Date and the date on which the Expiration Date is scheduled to occur. After the occurrence of the Commencement Date, either party will, upon the other's request, execute and acknowledge a recordable memorandum setting forth the date on which the Commencement Date occurred and the date on which the Expiration Date is scheduled to occur.

2.5 Tenant's Renewal Options. Subject to the terms and provisions of this Section 2.5, Tenant, at its option, may extend the Term of this Lease for one five-year period at the end of the Initial Term (the "First Renewal Term") and, if Tenant exercises its option with respect to the First Renewal Term, for an additional five-year period at the end of the First Renewal Term (the "Second Renewal Term"). The First Renewal Term and the Second Renewal Term are individually referred to herein as a "Renewal Term." To exercise each such option, Tenant must deliver written notice of the exercise thereof to Landlord no later than nine months prior to the expiration of (i) the Initial Term, in the case of Tenant's option with respect to the First Renewal Term, or (ii) the First Renewal Term, in the case of Tenant's option with respect to the Second Renewal Term. If Tenant fails to give notice of its exercise of either of its options to extend the Term, the time for it to do so will be extended until the first to occur of (A) the 15th day after Landlord gives Tenant notice that Tenant has failed to exercise its option with respect to the subject Renewal Term; or (B) the last day of the then-current Term. During each Renewal Term, all of the terms and provisions of this Lease will apply, except that after the Second Renewal Term there will be no further right of renewal, and except that the Basic Rent payable for each month of the First Renewal Term will be and the Basic Rent payable for each month of the Second Renewal Term will be . Tenant will have no right to extend the Term and a notice purporting to exercise Tenant's option with respect to a Renewal Term will be ineffective if an Event of Default exists at the time such notice is given or at the commencement of the subject Renewal Term. Any termination of this Lease terminates all rights under this Section 2.5.

3. CONSTRUCTION; DELIVERY AND ACCEPTANCE OF PREMISES

3.1 Landlord's Obligations.

(a) Subject to and in accordance with the provisions of this Section 3, Landlord will (i) purchase the Land, (ii) design, construct and install the Cold Shell on the Land, (iii) install the

Leasehold Improvements and (iv) relocate Tenant from its existing facility in Northglenn, Colorado to the Premises. Landlord shall bear the costs for such activities up to a total of \$_____, which costs shall include, but shall not be limited to, funds expended for all Land, design, planning, development, governmental approvals and/or permits, construction and relocation costs. To the extent the total cost for such activities exceeds \$_____ (including costs attributable to Change Orders), then such amount shall be "Tenant's Cost" and Tenant shall pay Landlord such additional amount within twenty (20) days after receipt of Landlord's invoice. In the event the total cost for such activities is less than \$_____, Tenant shall not be entitled to any credit. The parties agree to work together so that this project can be completed promptly and in the most cost-efficient manner possible.

(b) The determination and approval of costs associated with items (ii) and (iii) of subsection (a) are addressed in this Section 3. Costs associated with item (i) of subsection (a) shall be identified in Exhibit D. Landlord and Tenant hereby approve and acknowledge the costs set forth in Exhibit D. Costs associated with item (iv) of subsection (a) and the particular items of personal property to be relocated shall be itemized and identified in a list to be approved in writing by Landlord and Tenant within 30 Business Days prior to the relocation of Tenant. Any changes to such list shall be approved by both Landlord and Tenant in writing. Tenant shall assume responsibility for coordinating the relocation, subject to further reasonable coordination with Landlord, and together the parties shall develop a moving schedule to accomplish Tenant's relocation as close as is practical to the Commencement Date. The parties shall promptly disclose all relevant information that may affect the approved moving schedule. The parties shall work together to accomplish the relocation in the most cost-effective manner.

(c) Landlord will use reasonable efforts to cause Landlord's Work to be Substantially Completed by the Projected Commencement Date and will continually advise Tenant during the construction process of any changes in the anticipated Commencement Date. In any event, Landlord will give Tenant at least 60 Business Days' prior notice of the occurrence of the Commencement Date.

3.2 Delivery of Possession. If Landlord is unable to deliver possession of the Premises with the Landlord's Work Substantially Completed by the Projected Commencement Date, then, except as provided below, Landlord will not be in default or liable in damages to Tenant, nor will the obligations of Tenant be affected, provided, however, that the Commencement Date will be extended automatically by one day for each day of the period after the Projected Commencement Date to the day on which Landlord tenders possession of the Premises to Tenant with Landlord's Work Substantially Completed, less any portion of that period attributable to Tenant's delays as more particularly described in Section 3.12.. Such postponement of the commencement of the Term will be in full settlement of all claims that Tenant might otherwise have against Landlord by reason of Landlord's failure to have Substantially Completed its obligations by the Projected Commencement Date. If Landlord delivers possession of the Premises with the Landlord's Work Substantially Completed prior to the Projected Commencement Date, then Tenant may either accept such delivery (in which case such date will be the Commencement Date hereunder) or may refuse to accept delivery until any date selected by Tenant that is no later than the Projected Commencement Date. For purposes of the foregoing, any occupation of the Premises by Tenant for fixturing or similar purposes after Landlord's Work has been Substantially Completed will be deemed acceptance of the Premises. The term "Substantially Completed" means that the Premises are broom clean, free of construction tools and materials, and Landlord's Work has been completed according to the Cold Shell Plans and the Leasehold Improvements Plans with only minor punch list items that will not materially interfere with Tenant's use and enjoyment of the Premises remaining to be completed or corrected pursuant to Section 3.3; that an unconditional certificate of occupancy for the Premises has been issued and not suspended or revoked or amended in a manner that would prevent Tenant from occupying the Premises the

purposes for which they were designed, as set forth in the Design Information; and that all utilities called for in the Cold Shell Plans or the Leasehold Improvements Plans are installed and operable with all hook- up, tap or similar fees paid. Within 60 days after the Commencement Date, Landlord will provide to Tenant a complete set of as-built drawings of Landlord's Work and manuals for all equipment incorporated into the Improvements as a part of Landlord's Work. Notwithstanding anything contained in this Section 3.2 to the contrary, if, by August 15, 2002, Landlord has not delivered possession of the Premises to Tenant with Landlord's Work Substantially Completed, then Tenant may refuse to accept delivery until a date chosen by Tenant after January 2003 and the Lease shall not commence until such date. Nevertheless, in determining such date, Tenant shall choose the earliest date practicable for Tenant.

3.3 Punch List. Tenant's taking possession of any portion of the Premises will be conclusive evidence that such portion of the Premises was in good order and satisfactory condition, and that all of Landlord's Work in or to such portion of the Premises was satisfactorily completed, when Tenant took possession, except as to any patent defects or uncompleted items identified on a punch list prepared and signed by Landlord's Representative and Tenant's Representative after an inspection of the Premises by both such parties made at the time Tenant takes possession, and except as to any latent defects in Landlord's Work of which Tenant notifies Landlord within one year after the Commencement Date. Landlord will not be responsible for any items of damage caused by Tenant, its agents, independent contractors or suppliers. No promises to construct, alter, remodel or improve the Premises, and no representations concerning the condition of the Premises, have been made by Landlord to Tenant other than as may be expressly stated in this Lease.

3.4 Representatives. Landlord appoints Landlord's Representative to act for Landlord in all matters covered by this Section 3. Tenant appoints Tenant's Representative to act for Tenant in all matters covered by this Section 3. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Section 3 will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or requests to, and will not give any instructions or authorizations to, any other employee or agent of Landlord, including Landlord's architect, engineers and contractors or any of their agents or employees, with regard to matters covered by this Section 3. Either party may change its representative at any time by three days' prior written notice to the other party.

3.5 Design Information. Tenant will cooperate with Landlord and submit all information necessary for preparation of the Cold Shell Plans and the Leasehold Improvements Plans (the "Design Information").

3.6 Cold Shell Plans. Promptly after receipt of all Design Information, Landlord will cause its architect to prepare the Cold Shell Plans based on the submitted Design Information. Within five Business Days after receipt of the proposed Cold Shell Plans, together with a cost estimate for the construction of such Cold Shell, Tenant will either approve the same in writing or notify Landlord in writing of how the proposed Cold Shell Plans are inconsistent with the Design Information and how the Cold Shell Plans must be changed in order to make them consistent with the Design Information. Each Business Day following the 5th Business Day after the proposed Cold Shell Plans are submitted to Tenant until Tenant approves them or delivers such notice of objections will be a day of Tenant's delay. Upon receipt of Tenant's notice of objections, Landlord will cause its architect to prepare revised Cold Shell Plans according to such notice and submit the revised Cold Shell Plans, together with a revised cost estimate for the construction of such Cold Shell, to Tenant. Upon submittal to Tenant of the revised Cold Shell Plans, and upon submittal of any further revisions, the procedures described above will be repeated. If the original Cold Shell Plans, or any revisions thereof, are consistent with the Design Information, then each Business Day following Landlord's receipt of Tenant's notice of any objections until the day on which Landlord receives Tenant's written approval of the Cold Shell Plans will be a day of Tenant's delay.

3.7 Cold Shell Construction. At such time as Cold Shell Plans that have been approved in writing by both Landlord and Tenant have been prepared, Landlord cause the Cold Shell to be constructed or installed on the Land in a good and workmanlike manner and according to the approved Cold Shell Plans and all applicable Laws. Landlord will on a monthly basis provide Tenant with a summary of the actual funds expended to date (based on monthly payment applications submitted by the builder in accordance with the construction contract) compared to the estimated costs for construction of the Cold Shell

3.8 Leasehold Improvements Plans. Promptly after receipt of all Design Information, Landlord will cause its architect to prepare the Leasehold Improvements Plans based on the submitted Design Information. Landlord will notify Tenant at least five (5) Business Days of the date on which Tenant will receive the Leasehold Improvement Plans. Within ten (10) Business Days after receipt of the proposed Leasehold Improvements Plans, together with a cost estimate for the construction of the Leasehold Improvements, Tenant will either approve the same in writing or notify Landlord in writing of how the proposed Leasehold Improvements Plans are inconsistent with the Design Information and how the Leasehold Improvements Plans must be changed in order to make them consistent with the Design Information. Each Business Day following the 5th Business Day after the proposed Leasehold Improvements Plans are submitted to Tenant until Tenant approves them or delivers such notice of objections will be a day of Tenant's delay. Upon receipt of Tenant's notice of objections, Landlord will cause its architect to prepare revised Leasehold Improvements Plans according to such notice and submit the revised Leasehold Improvements Plans, together with a revised cost estimate for the construction of the Leasehold Improvements, to Tenant. Upon submittal to Tenant of the revised Leasehold Improvements Plans, and upon submittal of any further revisions, the procedures described above will be repeated. If the original Leasehold Improvements Plans, or any revisions thereof, are consistent with the Design Information, then each Business Day following Landlord's receipt of Tenant's notice of any objections until the day on which Landlord receives Tenant's written approval of the Leasehold Improvements Plans will be a day of Tenant's delay. Despite any provision of this Section 3.8, Tenant will not be deemed to have caused a delay if it is unable to respond to proposed Leasehold Improvements Plans because of the condition or absence of the Cold Shell Plans; however, Tenant will promptly advise Landlord of its inability to respond to the Leasehold Improvements Plans for that reason.

3.9 Tenant's Cost Proposal. Intentionally deleted.

3.10 Construction of Leasehold Improvements; Landlord will cause the Leasehold Improvements to be constructed or installed in the Cold Shell in a good and workmanlike manner and according to the Leasehold Improvements Plans and all applicable Laws. Tenant will own all of the Leasehold Improvements until the end of the Term, at which time the Leasehold Improvements will become Landlord's property in accordance with Section 14.1. During the Term, Tenant may, in its sole discretion, remove or replace any of the personal property, equipment, trade fixtures or movable partitions owned by Tenant and placed or installed in the Premises at Tenant's expense. Subject to Section 10.1, Tenant may also remove or replace the Leasehold Improvements. Landlord warrants that the Leasehold Improvements will be free of all defects in design, materials or construction for a period of one year from the date Landlord's Work is Substantially Completed. Landlord will on a monthly basis provide Tenant with a summary of the actual funds expended to date (based on monthly payment applications submitted by the builder in accordance with the construction contract) compared to the estimated costs for construction of the Leasehold Improvements.

3.11 Change Orders. Tenant's Representative may authorize changes in the work consistent with the Design Information during construction only by written instructions to Landlord's Representative on a form approved by Landlord. All other changes will be subject to Landlord's prior written approval.

Prior to commencing any change, Landlord will prepare and deliver to Tenant, for Tenant's approval, a change order ("Change Order") identifying the total cost or savings of such change, which will include associated architectural, engineering and construction contractor's fees, and the total time that will be added to or subtracted from the construction schedule by such change. If Tenant fails to approve such Change Order within 10 Business Days after delivery by Landlord, Tenant will be deemed to have withdrawn the proposed change and Landlord will not proceed to perform the change. Upon Landlord's receipt of Tenant's approval, Landlord will proceed to perform the change. Except as otherwise set forth in Section 3.1, Tenant will pay for any approved Change Order within twenty (20) days after receipt of Landlord's invoice.

3.12 Tenant's Delays. As provided in Section 3.2, the Initial Term of the Lease (and therefore Tenant's obligation for the payment of Rent) will not commence until Landlord has Substantially Completed Landlord's Work; provided, however, that if Landlord is delayed in causing Landlord's Work to be Substantially Completed as a result of: (a) any Tenant delays described in Sections 3.5, 3.6, 3.7, 3.8, 3.9 or 3.10; (b) any Change Orders or changes in any drawings, plans or specifications requested by Tenant; (c) Tenant's failure to review or approve in a timely manner any item requiring Tenant's review or approval; or (d) any other act or omission of Tenant or Tenant's architects, engineers, contractors or subcontractors (all of which will be deemed to be delays caused by Tenant), then the Commencement Date will only be extended under Section 3.2 until the date on which Landlord would have Substantially Completed the performance of such work but for such delays. The aggregate Tenant delays described in this Section 3.12 will be reduced by the number of days deducted from the construction schedule on account of Change Orders requested by Tenant. As a condition to claiming a delay by Tenant, Landlord will advise Tenant of the circumstances giving rise to the claim within 10 Business Days after they arise and will advise Tenant of the cost that Tenant can pay at that time to effect any available remedy to eliminate such delay (such as, e.g., overtime work).

3.13 Adjustments Upon Completion. Intentionally deleted.

4. RENT

4.1 Basic Rent. Commencing on the Commencement Date and then throughout the Term, Tenant agrees to pay Landlord Basic Rent according to the following provisions. Basic Rent throughout the Term will be payable in monthly installments in the amount of (subject to adjustment pursuant to Section 2.5), in advance, on or before the first day of each and every month during the Term. However, if the Term commences on other than the first day of a month or ends on other than the last day of a month, Basic Rent for such month will be appropriately prorated.

4.2 Net Lease. Neither Landlord nor Tenant will be required to pay any costs or expenses or provide any services in connection with the Premises except as expressly provided in this Lease.

4.3 Terms of Payment. All Basic Rent will be paid to Landlord in lawful money of the United States of America, at Landlord's Rent Address or to such other person or at such other place as Landlord may from time to time designate in writing, without notice or demand and without right of deduction, abatement or setoff, except as otherwise expressly provided in this Lease. Except as otherwise expressly provided in this Lease, Tenant's covenants to pay Basic Rent and Additional Rent are independent of any other covenant, condition, provision or agreement herein or elsewhere contained.

4.4 Late Payments. Any payment of Rent which is not received within five days after it is due will be subject to a late charge equal to of the unpaid payment, or , whichever is greater. This amount is in compensation of Landlord's additional cost of processing late payments. In addition, any

Rent which is not paid within five days after it is due will accrue interest at the Interest Rate from the date on which it was due until the date on which it is paid in full with accrued interest.

4.5 Right to Accept Payments. No receipt by Landlord of an amount less than Tenant's full amount due will be deemed to be other than payment "on account," nor will any endorsement or statement on any check or any accompanying letter effect or evidence an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance or pursue any right of Landlord. No payments by Tenant to Landlord after the expiration or other termination of the Term, or after the giving of any notice (other than a demand for payment of money) by Landlord to Tenant, will reinstate, continue or extend the Term or make ineffective any notice given to Tenant prior to such payment. After notice or commencement of a suit, or after formal judgment granting Landlord possession of the Premises, Landlord may receive and collect any sums of Rent due under this Lease, and such receipt will not void any notice or in any manner affect any pending suit or any judgment obtained. Any amounts received by Landlord may be allocated to any specific amounts due from Tenant to Landlord as Landlord determines.

5. TAXES

5.1 Payment of Taxes. Except as provided in Section 5.3, Tenant will pay before delinquency, directly to the taxing authority, all Taxes which accrue during or are attributable to any part of the Term. Within 10 days after Landlord's written request, Tenant will provide Landlord with evidence of Tenant's payment of taxes for the most recent Tax Year for which Taxes have been paid. Landlord will use reasonable efforts to have the real property tax notices and bills issued directly to Tenant, but if Landlord is unable to do so, Landlord will promptly forward all such notices and bills directly to the address to which Landlord is then required to send notices to Tenant.

5.2 Proration at Beginning and End of Term. If the Term begins on other than the first day of a Tax Year or if the Term expires or otherwise terminates on other than the last day of a Tax Year, Taxes for the Tax Year in which the Term begins or ends, as the case may be, will be prorated between Landlord and Tenant, based on the most recent levy and most recent assessment. Such proration will be subsequently adjusted when the actual bills become available for Taxes for the Tax Year for which Taxes were prorated. The parties' obligations under this Section 5 will survive the expiration of the Term or other termination of this Lease.

5.3 Special Assessments. Tenant will pay, as Taxes, all special assessments and other like impositions; provided, however, that Tenant may pay in installments any such special assessments or like impositions that may be so paid according to applicable Laws and, in such event, Tenant will only be required to pay those installments of any such assessments or impositions that are assessed or imposed for periods of time within the Term and with proration, as provided above, of any installment due period at the beginning or end of the Term that covers a period of time that includes both a portion of the Term and an additional period either before or after the Term. Except as may be set forth on Exhibit C, the Premises are not now, and Landlord will take no action to cause or permit the Premises on the Commencement Date to be, located in a special improvement district or otherwise subject to special assessments. Landlord will not consent to the inclusion of the Premises in a special improvement district or other district that would subject the Premises to special assessments without Tenant's prior written approval and without giving Tenant the right and sufficient notice to allow Tenant to object to the inclusion in Landlord's name and on Landlord's behalf.

5.4 Tax Contests. Tenant will have the right to contest any Taxes payable by Tenant; provided, however, that Tenant will make timely payment of the contested Taxes notwithstanding the

pendency of any such contest unless applicable Laws permit the withholding of payment without delinquency, in which case Tenant may withhold payment of the contested Taxes until such time as payment thereof (or of such Taxes as the same may be reduced by such contest) is required to be made by applicable Laws in order to avoid delinquency. Tenant will notify Landlord within five Business Days of the commencement of any such contest. So long as Tenant complies with the terms of this Section 5.4, Tenant will have the right, in connection with any such contest, at its sole expense, to institute and prosecute, in good faith and with due diligence and in Landlord's name if necessary, any appropriate proceedings, and Landlord will, at Tenant's expense, fully cooperate with Tenant's efforts to contest any such Taxes or special assessments.

6. USE, OCCUPANCY AND COMPLIANCE

6.1 Use. Tenant may use the Premises for any and all uses and purposes that are from time to time permitted by Laws. Tenant will not keep anything on or about the Premises which would invalidate any insurance policy required to be carried on the Premises by Tenant pursuant to this Lease. Tenant will not cause or permit to exist any public or private nuisance on or about the Premises.

6.2 Compliance. On the Commencement Date, the Premises will comply with all Laws applicable to their use and occupancy for the purposes for which they were designed, as set forth in the Design Information. Tenant will comply with all Laws applicable to the use and occupancy of the Premises during the Term and will keep and maintain the Premises in compliance with all applicable Laws. Tenant will have the right, however, to contest or challenge by appropriate proceedings the enforceability of any Law or its applicability to the Premises or the use or occupancy thereof by Tenant so long as Tenant diligently prosecutes the contest or challenge to completion and, in the event Tenant loses the contest or challenge, thereafter abides by and conforms to such Law. In the event of Tenant's challenge or contest of such Law, Tenant may elect not to comply with such Law during such challenge or contest; provided, however, that such election not to comply will not result in any material risk of forfeiture of Landlord's interest in the Premises. Tenant will indemnify and hold Landlord harmless from and against all claims, damages or judgments resulting from any such election not to comply.

6.3 Hazardous Substances.

(a) **Tenant's Covenants.** Tenant will not allow any Hazardous Substance to be located on the Premises and will not conduct or authorize the use, generation, transportation, storage, treatment or disposal at the Premises of any Hazardous Substance other than in quantities incidental to the conduct of Tenant's business in the Premises and in compliance with Environmental Laws; provided, however, nothing herein contained will permit Tenant to allow any so-called "acutely hazardous," "ultra-hazardous," "imminently hazardous chemical substance or mixture" or comparable Hazardous Substance to be located on or about the Premises. If the presence, release, threat of release, placement on or in the Premises or the generation, transportation, storage, treatment or disposal at the Premises of any Hazardous Substance as a result of Tenant's use or occupancy of the Premises (i) gives rise to liability (including, but not limited to, a response action, remedial action or removal action) under Environmental Laws; (ii) causes a significant public health effect; or (iii) pollutes or threatens to pollute the environment, Tenant will promptly take any and all remedial and removal action necessary to clean up the Premises and mitigate exposure to liability arising from the Hazardous Substance, whether or not required by Laws.

(b) **Tenant's Indemnity.** Tenant will indemnify, defend and hold Landlord harmless from and against all damages, costs, losses, expenses (including, without limitation, actual

attorneys' fees and engineering fees) arising from or attributable to (i) the existence of any Hazardous Substance at the Premises as a result of the acts of Tenant or its agents, employees or contractors or Tenant's use and occupancy of the Premises, and (ii) any breach by Tenant of any of its covenants contained in this Section 6.3.

(c) **Landlord's Representation and Indemnity.** Landlord has delivered to Tenant copies of all studies in Landlord's possession concerning the presence of Hazardous Substances on the Premises and will promptly furnish Tenant with a copy of any additional such study that Landlord obtains on or within two months after the Commencement Date. Landlord represents to Tenant that, to Landlord's current actual knowledge (without duty of investigation), there are no Hazardous Substances present on the Premises as of the date of this Lease in any manner or quantity that violates any Environmental Laws. Landlord will indemnify, defend and hold Tenant harmless from and against all damages, costs, losses, expenses (including, without limitation, actual attorneys' fees and engineering fees) arising from or attributable to (i) the existence of any Hazardous Substance at the Premises as a result of the acts of Landlord or its agents, employees or contractors, and (ii) any breach by Landlord of its representation contained in this Section 6.3.

(d) **Survival.** The parties' obligations under this Section 6.3 will survive the expiration of the Term or other termination of this Lease.

6.4 Americans With Disabilities Act. Tenant will, at its expense, cause the Premises and the operation of any business within the Premises to comply with the ADA, and if Tenant fails to maintain the Premises in compliance with the ADA, Landlord will have the right, but not the obligation, at Tenant's expense, to enter the Premises and cause the Premises to comply with the ADA; and Tenant will indemnify, defend and hold Landlord harmless from and against any and all costs, claims and liabilities, including, without limitation, attorneys' fees and court costs, arising from or related to Tenant's failure to maintain the Premises in compliance with the ADA; provided, however, Landlord will cause Landlord's Work to be designed and constructed in accordance with the "ADA Guidelines for Buildings and Facilities" attached as "Appendix A" to the rules and regulations implementing the ADA, as the same are interpreted as of the date Landlord submits its complete application for a building permit for such construction, and provided, further, that any such obligation of Landlord will be subject to and based upon Tenant's representations concerning Tenant's status as a "Public Accommodation" and concerning the location of any "area of primary function." Without limiting the generality of the foregoing, if work is performed by, through or under Tenant after the Commencement Date, Tenant will, at Tenant's expense, cause such work to be designed and constructed in compliance with the ADA, and Tenant will be responsible for (i) the cost of any work required as a result of (A) Tenant or an assignee or subtenant being deemed a "Public Accommodation" or the Premises being deemed a "Place of Public Accommodation," or (B) such work being deemed to affect an "Area of Primary Function" (as such terms are defined in the ADA); and (ii) the cost of the installation or implementation of any "Auxiliary Aid" required under the ADA as a result of the operation of any business within the Premises.

6.5 Signs. Subject to the terms of Section 3.1, Landlord shall install Tenant's sign at the Premises. The size, design and location of the sign shall be subject to Landlord's prior written approval which approval shall not be unreasonably withheld, and such sign shall comply with all applicable Laws. If it is permissible under applicable Laws, the parties acknowledge and agree that Landlord may satisfy its obligation hereunder by relocating Tenant's existing sign located at the Northglenn, Colorado facility. Thereafter, Tenant may erect, maintain or replace from time to time upon the Premises at Tenant's cost all signs that Tenant deems appropriate to the conduct of its business, including, without limitation, pylon signs, monument signs, roof signs, banners, signage on the exterior of the Building or glass surfaces of the windows and doors of the Building, provided that all of such signs and signage are in compliance with applicable Laws. Landlord will, at Tenant's expense, cooperate and assist Tenant in obtaining any permits for signage, including variances from Laws.

7. UTILITIES

7.1 Payment; Interruption of Services. Landlord will cause all utilities described in the Cold Shell Plans or Leasehold Improvements Plans to be brought to the Premises and hooked-up, and will pay the applicable tap, hook-up or similar fees. Tenant will pay for all electricity, gas, water, sewer or other utility service provided to the Premises from and after the Commencement Date. Landlord will not be liable in damages or otherwise, nor will there be an abatement of Rent, if the furnishing by any supplier of any utility service or other service to the Premises is interrupted or impaired by fire, accident, riot, strike, act of God, the making of necessary repairs or improvements, or by any causes beyond Landlord's reasonable control.

7.2 HVAC. From and after the Commencement Date, Tenant will pay the cost for all heating, air conditioning and ventilation service provided to the Premises, including the cost of maintenance, repair and replacement of same. Tenant may maintain a preventative maintenance contract on the HVAC units in the Premises, which contract will provide for periodic maintenance in accordance with the manufacturer's specifications, or Tenant may perform such preventative maintenance itself. In the event Tenant fails to maintain such preventative maintenance contract or to perform such preventative maintenance itself, Landlord, at its option and after giving Tenant notice and an opportunity to cure pursuant to Section 15.2, may arrange for such a preventative maintenance contract for the HVAC units, in which event the cost of such preventative HVAC maintenance will be billed directly to Tenant and will be paid within 10 days of receipt of invoice therefor.

8. REPAIRS AND MAINTENANCE

8.1 Tenant's Obligations. Tenant will, at its expense (a) maintain, replace and repair all of the Premises (including, without limitation, all non-structural components of the walls, all floors, ceilings and fixtures, all windows, window fittings and sashes, all interior and exterior doors, and all paved and landscaped areas on the Land), except those portions the maintenance of which is expressly Landlord's responsibility pursuant to Section 8.2, in a good, clean, safe, orderly and sanitary condition, ordinary wear and tear excepted; (b) keep the Premises free of insects, rodents, vermin and other pests; (c) repair and maintain all heating, ventilating and air conditioning equipment that serves the Premises and all utility systems, lines, conduits and appurtenances thereto that serve the Premises; (d) keep any garbage, trash, rubbish or refuse removed on a regular basis and temporarily stored on the Premises in accordance with local Laws; and (e) provide such janitorial services to the Building and such snow and ice removal from the paved areas on the Land as may be required by Laws or otherwise necessary for the operation of Tenant's business.

8.2 Landlord's Obligations. Landlord will, at its expense (a) maintain, replace and repair the roof and structural elements of the Building (including the foundations, structural components of the walls and structural columns and beams) and all utility lines and facilities serving the Premises that extend beyond the exterior walls of the Building in good condition, ordinary wear and tear excepted; and (b) make all capital repairs and replacements (but not ordinary maintenance and repairs) required to keep the driveways and parking areas on the Land in good condition, ordinary wear and tear excepted (including such resurfacing thereof as may from time to time be necessary and any restriping required in connection with such resurfacing); provided however, if the need for any such repair is caused by (i) Tenant or anyone claiming by or through Tenant; or (ii) the installation or removal of Tenant's property, regardless of fault or by whom such damage is caused (unless caused by Landlord, its agents, contractors, servants, employees or licensees), then, in any such case, subject to Section 9.4, Tenant agrees to reimburse Landlord for all

costs and expenses incurred by Landlord with respect to such repair. Landlord will commence repairs it is required to do hereunder as soon as reasonably practicable after receiving written notice from Tenant of the necessity of such repairs.

8.3 Landlord's Right of Entry. For purposes of performing Landlord's obligations under Section 8.2, or performing any of Tenant's obligations under Section 8.1 that Tenant fails to perform within the cure period provided in Section 15.2, or to inspect the Premises, Landlord may enter the Premises upon reasonable prior notice to Tenant (except in cases of actual or suspected emergency, in which case no prior notice will be required) without liability to Tenant for any loss or damage incurred as a result of such entry (excluding, subject to Section 9.4, any damage to Tenant's personal property or equipment caused by the negligence of Landlord or its agents, employees or contractors), provided that Landlord will take reasonable steps in connection with such entry to minimize any disruption to Tenant's business or its use of the Premises.

9. INSURANCE, WAIVERS AND INDEMNITY

9.1 Property Insurance. Tenant will throughout the Tenn, at its expense as Additional Rent, provide and maintain all risk property insurance (including fire and standard extended coverage perils, leakage from fire protective devices and other water damage) covering loss or damage to the Improvements (including, without limitation, the Cold Shell, the Leasehold Improvements and any alterations made to the Premises from time to time) on a full replacement cost basis, excluding excavations, footings and foundations. Tenant will also provide and maintain throughout the Tenn, at its expense, such property insurance covering Tenant's machinery, equipment, furniture, fixtures, personal property (including also property under the care, custody, or control of Tenant) and business interests which may be located in, upon or about the Premises in such amounts as Tenant may from time to time deem prudent. Landlord and its mortgagee will be named as loss payees in the policy providing such property insurance on the Improvements and all of such property policies will permit Tenant's waiver of claims against Landlord under Section 9.4 for matters covered thereby.

9.2 Liability and Other Insurance. Tenant will throughout the Term, at its expense as Additional Rent, provide and maintain the following insurance, in the amounts specified below:

(a) bodily injury and property damage liability insurance, with a combined single occurrence limit of not less than ; such insurance will be on a commercial general liability form including, without limitation, personal injury and assumed contractual liability for the performance by Tenant of the indemnity agreements set forth in Section 9.5; Landlord and its mortgagee will be named as an additional insureds in the policy providing such liability insurance, which will include cross liability and severability of interests clauses or endorsements; unless otherwise approved in writing by Landlord, such policy will have a deductible of or less and will not have a retention or self-insurance provision;

(b) worker's compensation insurance insuring against and satisfying Tenant's obligations and liabilities under the worker's compensation laws of the State of Colorado and employers' liability insurance in the limit of ; and

(c) if Tenant operates owned, hired or non-owned vehicles on the Premises, comprehensive automobile liability will be carried at a limit of liability not less than combined bodily injury and property damage.

9.3 General Insurance Requirements. All insurance required to be maintained by Tenant pursuant to Sections 9.1 and 9.2 will be maintained with insurers licensed to do business in the State of Colorado and having a Best's Key Rating of at least [A-XII]. Tenant will file with Landlord, on or before the Commencement Date and at least 10 days before the expiration date of expiring policies, such copies of either current policies or certificates as may be reasonably required to establish that the insurance coverage required by Sections 9.1 and 9.2 is in effect from time to time and that the insurer(s) have agreed to give Landlord at least 30 days notice prior to any cancellation of, or material modification to, the required coverage. Landlord and Tenant will cooperate with each other in the collection of any insurance proceeds which may be payable in the event of any loss, including the execution and delivery of any proof of loss or other actions required to effect recovery. All commercial general liability and property policies maintained by Tenant will be written as primary policies, not contributing with and not supplemental to any coverage that Landlord may carry.

9.4 Waivers. Except to the extent caused by the willful or negligent act or omission or breach of this Lease by Landlord or anyone for whom Landlord is legally responsible, Landlord and its Affiliates will not be liable or in any way responsible for, and Tenant waives all claims against Landlord and its Affiliates for, any loss, injury or damage suffered by Tenant or others relating to (a) loss or theft of, or damage to, property of Tenant or others; (b) injury or damage to persons or property resulting from fire, explosion, falling plaster, escaping steam or gas, electricity, water, rain or snow, or leaks from any part of the Improvements or from any pipes, appliances or plumbing, or from dampness; or (c) damage caused by persons on or about the Premises, or caused by the public or by construction of any private or public work. Landlord and its Affiliates will not be liable or in any way responsible to Tenant for, and Tenant waives all claims against Landlord and its Affiliates for, any loss, injury or damage that is insured or required to be insured by Tenant under Section 9.1. Provided that Tenant maintains the insurance required to be maintained by Tenant pursuant to Section 9.1, Tenant and its Affiliates will not be liable or in any way responsible to Landlord for, and Landlord waives all claims against Tenant and its Affiliates for, any loss, injury or damage that is insured by Tenant under Section 9.1.

9.5 Indemnity. Except to the extent caused by the willful or negligent act or omission or breach of this Lease by Landlord or anyone for whom Landlord is legally responsible, Tenant will indemnify and hold Landlord harmless from and against any and all liability, loss, claims, demands, damages or expenses (including reasonable attorneys' fees) due to or arising out of any accident or occurrence on or about the Premises during the Term (including, without limitation, accidents or occurrences resulting in injury, death, property damage or theft) or any willful or negligent act or omission of or breach of this Lease by Tenant or anyone for whom Tenant is legally responsible.

10. ALTERATIONS; MECHANICS' LIENS

10.1 Alterations. Tenant will not make any modifications, improvements, alterations, additions or installations in or to the Premises that affect the Building's mechanical, electrical, plumbing or structural systems, or that will cost more than \$_____, without Landlord's prior written consent, which consent will not be unreasonably withheld. Tenant will notify Landlord prior to making any modifications, improvements, alterations, additions or installations in or to the Premises (referred to in this section as the "work"), regardless of whether Landlord's consent is required in connection with such work. Along with any request for Landlord's consent and at least 15 days before commencement of any work or delivery of any materials to be used in any work to the Premises, Tenant will furnish Landlord with plans and specifications, estimated commencement and completion dates, the name and address of Tenant's general contractor, and the necessary permits and licenses. Landlord will have the right to post notices of non-responsibility or similar notices on the Premises in order to protect the Premises against any liens resulting

from such work. Tenant agrees to indemnify, defend and hold Landlord harmless from any and all claims and liabilities of any kind and description which may arise out of or be connected in any way with such work. Tenant will pay the cost of all such work, and also the cost of painting, restoring or repairing the Premises occasioned by such work. Upon completion of the work, Tenant will furnish Landlord with contractor's affidavits that include full and final waivers of liens and receipts for all amounts due for labor and materials. In the case of any work that required Landlord's consent, Tenant will also provide Landlord with as-built plans and specifications of the Premises as altered by such work. All work will comply with all insurance requirements and all applicable Laws (including, without limitation, the ADA) and will be constructed in a good and workmanlike manner, using materials of first-class quality and free and clear of all liens or claims therefor. Tenant will permit Landlord to inspect construction operations in connection with any such work. Landlord's approval of any plans for any modifications, improvements, alterations, additions or installations proposed by Tenant will not constitute a representation that the same will comply with Laws or be fit for any particular purpose; such approval will merely constitute Landlord's consent to construct or install the same in the Premises.

10.2 Mechanics' Liens. Tenant will not permit any mechanic's lien or other lien to be filed against the Premises by reason of any work performed by or for, or material furnished to, Tenant (including, without limitation, any work undertaken by Tenant pursuant to Section 10.1). If any such lien is filed at any time against the Premises, Tenant will cause the same to be discharged of record within 10 days after the date of filing the same. If Tenant fails to discharge any such lien within such period, then, in addition to any other right or remedy of Landlord, after 10 days prior written notice to Tenant, Landlord may, but will not be obligated to, discharge the same by paying to the claimant the amount claimed to be due or by procuring the discharge of such lien as to the Premises by deposit in the court having jurisdiction of such lien, the foreclosure thereof or other proceedings with respect thereto, of a cash sum sufficient to secure the discharge of the same, or by the deposit of a bond or other security with such court sufficient in form, content and amount to procure the discharge of such lien, or in such other manner as is now or may in the future be provided by present or future Laws for the discharge of such lien as a lien against the Premises. Any amount paid by Landlord, or the value of any deposit so made by Landlord, together with all costs, fees and expenses in connection therewith (including reasonable attorney's fees of Landlord), together with interest thereon at the Interest Rate, will be repaid by Tenant to Landlord on demand by Landlord and if unpaid may be treated as Additional Rent. Notwithstanding the foregoing, if Tenant desires to contest any such lien, Tenant may do so provided that, within 10 days after Tenant learns of the filing thereof, Tenant notifies Landlord of Tenant's intention to do so and, until such time as Tenant causes such lien to be removed by the payment thereof or by bonding over such lien in the manner provided by law, posting with Landlord such security as Landlord may reasonably request to provide funds with which Landlord may discharge such lien in the event Tenant is unsuccessful in its contest and then fails to discharge such lien. Tenant will indemnify and defend Landlord against and save Landlord and the Premises harmless from all losses, costs, damages, expenses, liabilities, suits, penalties, claims, demands and obligations, including, without limitation, reasonable attorney's fees resulting from the assertion, filing, foreclosure or other legal proceedings with respect to any such mechanic's lien or other lien.

11. ASSIGNMENT AND SUBLETTING

11.1 Notice and Consent. Tenant may, upon notice to Landlord but without obtaining Landlord's consent, assign this Lease or sublet all or any portion of the Premises to any of Tenant's Affiliates. Tenant will not, however, assign this Lease or sublet all or any portion of the Premises to any assignee or subtenant that is not one of Tenant's Affiliates without first obtaining Landlord's written consent, which consent will not be unreasonably withheld, conditioned or delayed. If Tenant desires to effect an assignment or subletting that will require Landlord's consent, Tenant will seek such written consent of Landlord by a written request therefor, setting forth the date (which will not be less than 30 days

after date of Tenant's notice) on which Tenant desires to assign this Lease or to sublet all or any portion of the Premises, the name and address of the proposed assignee or sublessee and its proposed use of the Premises, copies of the proposed assignee's or subtenant's financial statements (or, if not available, any other information in Tenant's possession concerning the proposed assignee's or subtenant's financial condition and business), and the proposed form of assignment or sublease.

11.2 Deemed Assignments. Any change in the partners or members of Tenant (except to any of Tenant's Affiliates), if Tenant is a partnership or limited liability company, or, if Tenant is a corporation, any transfer of any or all of the shares of stock of Tenant (except to any of Tenant's Affiliates), resulting in a change in the identity of the person or persons owning a majority of equity interests in Tenant as of the date of this Lease, will be deemed to be an assignment within the meaning of this Section 11. However, a transfer of the stock or partnership or membership interests of Tenant if Tenant is a publicly held entity whose equity interests are traded on a national stock exchange, or in an initial public offering, will not constitute an assignment requiring Landlord's consent pursuant to this Section 11.

11.3 General Provisions. No subletting or assignment by Tenant hereunder, regardless of whether the same requires Landlord's consent, will release or discharge Tenant of or from any liability, whether past, present or future, under this Lease, and Tenant will continue fully liable hereunder. The sublessee or assignee will agree to comply with and be bound by all of the terms, covenants, conditions, provisions and agreements of this Lease to the extent of the space sublet or assigned, and Tenant will deliver to Landlord promptly after execution an executed copy of each such sublease or assignment and such an agreement of compliance by each such sublessee or assignee. Consent by Landlord to any assignment of this Lease or to any subletting of the Premises will not be a waiver of Landlord's rights under this section as to any subsequent assignment or subletting. Any sale, assignment, mortgage, transfer or subletting of this Lease which is not in compliance with the provisions of this Section 11 will be of no effect and void. Landlord's right to assign its interest in this Lease will remain unqualified. Landlord may charge Tenant up to _____ for attorneys' fees and administrative expenses incident to a review of any documentation related to any proposed assignment or subletting by Tenant.

12. CASUALTY

12.1 Tenant's Option to Terminate. If the Improvements are damaged or destroyed by fire or other casualty during the 24-month period that ends on the last day of the Initial Term or at any time during any Renewal Term to such an extent that either (i) the cost of repairing and restoring the Improvements to their condition existing prior to such casualty, as determined by an architect or contractor selected by Tenant and reasonably approved by Landlord, is equal to or greater than _____ of the market value of the Improvements immediately preceding such casualty, as determined by an appraiser selected by Tenant and reasonably approved by Landlord; or (ii) the time required to repair and restore the Improvements to their condition existing prior to such casualty, as determined by an architect or contractor selected by Tenant and reasonably approved by Landlord, will exceed 120 days from the commencement of repairs and restoration, then provided Tenant has maintained the insurance required by Section 9.1, Tenant may elect to terminate this Lease by notice to Landlord given not later than 45 days after the date on which such casualty occurs. If Tenant so elects to terminate this Lease, then (a) this Lease will terminate on a date selected by Tenant and set forth in such notice of termination, which date must be no later than 60 days after the date of such notice; (b) prior to such termination date, Tenant will demolish the Building and all other Improvements that cannot function properly without the Building and return the Land to a level, safe and sightly condition that complies with all Laws, unless Landlord, within 10 days after receipt of Tenant's notice of termination notifies Tenant that Landlord desires that Tenant not demolish the Building, in which case Tenant will not demolish the Building; (c) all Basic Rent and other Rent payable hereunder by Tenant will be prorated to such termination date; and (d) all proceeds of the insurance required to be maintained

pursuant to Section 9.1 that are payable as a result of such casualty due to damage to the Improvements (including, without limitation, the Cold Shell, the Leasehold Improvements and any alterations made to the Premises from time to time) will be paid to and become the sole property of Landlord, except that Tenant will be entitled to reimbursement from Landlord out of such proceeds for the reasonable costs incurred by Tenant in performing such demolition, and all proceeds such insurance that are payable as a result of such casualty due to damage to Tenant's machinery, equipment, furniture, fixtures, personal property (including property under the care, custody or control of Tenant) and business interests will be paid to not become the sole property of Tenant.

12.2 Repair and Restoration. If the Improvements are damaged or destroyed by fire or other casualty and Tenant does not terminate this Lease pursuant to Section 12.1 or Tenant does not have the right to terminate this Lease pursuant to Section 12.1, then this Lease will remain in full force and effect, there will be no abatement of Basic Rent or other Rent payable by Tenant hereunder, and Tenant will, at Tenant's cost and expense, proceed with reasonable promptness and diligence to carry out any necessary demolition and to repair and restore the Improvements to the condition and market value thereof that existed immediately prior to such casualty.

12.3 Application of Insurance Proceeds. Except as provided in Section 12.1, the proceeds of the insurance required to be maintained by Tenant pursuant to Section 9.1 will be used by Tenant to repair and restore the Improvements following a fire or other casualty. If such proceeds are or less, Landlord will execute such endorsements or other instruments as may be necessary to cause the same to be paid to Tenant. If such proceeds exceed , they will be paid to a trustee reasonably satisfactory to Landlord (Landlord and Tenant acknowledge that a title insurance company of good reputation and reasonable financial strength will be acceptable as a trustee) under instructions to disburse the same to Tenant in progress payments as the repairs and restoration proceed upon application by Tenant for payment, accompanying by (a) an architect's certificate (or other reasonably acceptable evidence) that all labor for which payment is sought has been performed and all materials for which payment is sought have been delivered to or incorporated in the Premises; (b) a waiver of mechanics' liens for all labor and materials paid by the prior disbursement, if any; and (c) reasonable evidence that the remaining insurance proceeds will be sufficient to pay for the remaining work to be completed (and if there are insufficient proceeds, then Tenant will pay for all costs of repair and restoration until the remaining insurance proceeds will cover the remaining costs, at which time progress payments may resume).

13. EMINENT DOMAIN

13.1 Termination. If the whole of the Premises is taken by any public authority under the power of eminent domain, this Lease will terminate as of the day possession is taken by such public authority. If more than of the floor area of the Building is taken, or if so much of the Land is taken that Tenant is permanently deprived of the use of more than of the parking spaces previously available on the Land (and such spaces cannot be reconstructed on the remaining Land or any adjacent land acquired by Landlord for that purpose within 90 days after Tenant is so deprived of such use). by any public authority under the power of eminent domain, then Tenant may, by notice to Landlord, terminate this Lease as of the day possession is taken by such public authority. In case of any such termination, Landlord will make a pro rata refund of any prepaid Rent.

13.2 Award; Restoration. As between the parties to this Lease, Tenant will be entitled to receive, and Landlord assigns to Tenant, that portion of the total award, compensation, damages or consideration paid or payable as a result of or in connection with any taking by eminent domain that is attributable (a) to the value of any Leasehold Improvements that are subject to such taking, less Landlord's Taking Share thereof (but only if possession of the taken property is transferred during the Initial Term; if

possession is taken during any Renewal Term, Landlord will be entitled to the entire award attributable to any taken Leasehold Improvements); (b) to the value of any alterations or improvements made by Tenant, or any of Tenant's trade fixtures or equipment, that are subject to such taking; and (c) to moving expenses, business relocation expenses or damages to Tenant's business incurred as a result of such taking, and Landlord will be entitled to receive, and Tenant assigns to Landlord, the remaining balance of any such award, compensation, damages or consideration. Anything in this Section 13 to the contrary notwithstanding, in the event of a partial condemnation of the Premises where this Lease is not terminated, (i) Landlord will, at its sole cost and expense, restore the Premises (other than any alterations or improvements installed by Tenant) to a complete architectural unit (but Landlord's restoration obligations will be limited to restoration and repair of the Cold Shell and Leasehold Improvements and Landlord's restoration obligations will be limited to the extent of the condemnation award available to Landlord), and (ii) the Basic Rent provided for herein during the period from and after the date of delivery of possession pursuant to such proceedings to the termination of this Lease will be reduced to a sum equal to the product of the Basic Rent provided for herein multiplied by a fraction, the numerator of which is the fair market rent of the Premises after such taking and after the same has been restored to a complete architectural unit, and the denominator of which is the fair market rent of the Premises prior to such taking.

14. END OF TERM

14.1 Surrender. On the last day of the Term, or on the sooner termination thereof, Tenant will peaceably surrender the Premises in good condition and repair (ordinary wear and tear and damage by casualty excepted), consistent with Tenant's duty to make repairs as herein provided. Tenant will give written notice to Landlord at least 30 days prior to vacating the Premises for the express purpose of arranging a meeting with Landlord for a joint inspection of the Premises. On or before the last day of the Term, or the date of sooner termination thereof, Tenant may, at its sole cost and expense, remove all of its property and trade fixtures and equipment from the Premises and repair all damage to the Premises caused by such removal. All property not removed will be deemed abandoned. Tenant hereby appoints Landlord its agent to remove all property of Tenant not so removed from the Premises upon termination of this Lease and to cause its transportation and storage for Tenant's benefit, all at the sole cost and risk of Tenant, and Landlord will not be liable for damage, theft misappropriation or loss thereof, nor will Landlord be liable in any manner in respect thereto. Tenant will reimburse Landlord upon demand for any expenses incurred by Landlord with respect to removal, transportation or storage of abandoned property and with respect to restoring such Premises to good order, condition and repair. All Leasehold Improvements and any other modifications, improvements, alterations, additions and fixtures, other than Tenant's trade fixtures and equipment, which have been made or installed by either Landlord or Tenant upon the Premises, will become the property of Landlord on the last day of the Term or sooner termination thereof and will be surrendered with the Premises as a part thereof. Tenant will promptly surrender all keys for the Premises to Landlord at the place then fixed for the payment of Rent and will inform Landlord of combinations on any vaults, locks and safes left on the Premises.

14.2 Holding Over. In the event Tenant remains in possession of the Premises after expiration of this Lease without Landlord's consent, Tenant will be deemed to be occupying the Premises without claim of right, and Tenant will indemnify Landlord against loss or liability resulting from delay by Tenant in surrendering the Premises, including, without limitation, claims made by any succeeding tenants founded on such delay and any attorneys' fees resulting therefrom. In addition, if Tenant remains in possession of the Premises after expiration of this Lease without a written agreement with Landlord as to (i) the amount Rent to be paid for such occupancy, Tenant will pay a charge for each day of occupancy in an amount equal to of the Basic Rent (on a daily basis) payable immediately prior to such expiration, plus of all Additional Rent (also on a daily basis); or (ii) the duration of Tenant's holdover tenancy, Tenant will be deemed a tenant at sufferance.

15. DEFAULTS AND REMEDIES

15.1 General. All rights and remedies of Landlord and Tenant enumerated in this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress at law or in equity to which either party may be lawfully entitled in case of any breach or threatened breach by the other party of any provision of this Lease. The failure of either party to insist in any one or more cases upon the strict performance of any of the covenants of this Lease or to exercise any option herein contained will not be construed as a waiver or relinquishment for the future of such covenant or option. A receipt by Landlord of Rent with knowledge of the breach of any covenant hereof (other than breach of the obligation to pay the portion of such Rent paid) will not be deemed a waiver of such breach, and no waiver by either party of any provisions of this Lease will be deemed to have been made unless expressed in writing and signed by such party. Each party agrees to pay, upon demand, all of the other party's costs, charges and expenses, including the reasonable fees and out-of-pocket expenses of counsel, agents, and others retained, incurred in successfully enforcing the other party's obligations under this Lease.

15.2 Events of Default. Each of the following events will constitute an "Event of Default" under this Lease:

(a) Failure to Pay Rent. Tenant fails to pay Basic Rent or any other Rent payable by Tenant under the terms of this Lease when due, and such failure continues for 10 days after notice from Landlord to Tenant of such failure (provided that, with respect to monthly installments of Basic Rent, Tenant will only be entitled to two notices of such failure during any calendar year and if, after two such notices are given in any calendar year, Tenant fails, during such calendar year, to pay any further monthly installment of Basic Rent when due, such failure will constitute an Event of Default hereunder without any further notice from Landlord or additional cure period).

(b) Failure to Perform Other Obligations. Tenant breaches or fails to comply with any provision of this Lease applicable to Tenant other than a covenant to pay Rent, and such breach or noncompliance continues for a period of 30 days after notice thereof from Landlord to Tenant; or, if such breach or noncompliance cannot be reasonably cured within such 30-day period, Tenant does not commence to cure such breach or noncompliance within such 30-day period or, after commencing to cure such breach or noncompliance, does not thereafter diligently pursue such cure in good faith to completion.

(c) Execution and Attachment Against Tenant. Tenant's interest under this Lease or in the Premises is taken upon execution or by other process of law directed against Tenant, or is subject to any attachment by any creditor or claimant against Tenant and such attachment is not discharged or disposed of within 60 days after levy.

(d) Bankruptcy or Related Proceedings. Tenant files a petition in bankruptcy or insolvency, or for reorganization or arrangement under any bankruptcy or insolvency Laws, or voluntarily takes advantage of any such Laws by answer or otherwise, or dissolves or makes a general assignment for the benefit of creditors, or involuntary proceedings under any such Laws or for the dissolution of Tenant are instituted against Tenant, or a receiver or trustee is appointed for the Premises or for all or substantially all of Tenant's property, and such involuntary proceedings are not dismissed or such receivership or trusteeship vacated within 60 days after such institution or appointment.

15.3 Landlord's Remedies. Time is of the essence. If any Event of Default occurs, Landlord elects Landlord deems necessary or desirable and all other expenses, commissions and charges will have the right, at Landlord's election, then or at any later time, to exercise any one or more of the following remedies:

(a) Cure by Landlord. Landlord may, at Landlord's option but without obligation to do so, and without releasing Tenant from any obligations under this Lease, make any payment or take any action as Landlord deems necessary or desirable to cure any Event of Default in such manner and to such extent as Landlord in good faith deems necessary or desirable. Tenant will pay Landlord, upon demand, all advances, costs and expenses of Landlord in connection with making any such payment or taking any such action, including reasonable attorney's fees, together with interest at the Interest Rate, from the date of payment of any such advances, costs and expenses by Landlord.

(b) Termination of Lease and Damages. Landlord may terminate this Lease, effective at such time as may be specified by notice to Tenant, and demand (and, if such demand is refused, recover) possession of the Premises from Tenant. In such event, Landlord will be entitled to recover from Tenant, as damages for loss of the bargain and not as a penalty, an aggregate sum equal to (i) all unpaid Basic Rent and other Rent for any period prior to the termination date of this Lease (including interest from the due date to the date of the award at the Interest Rate); plus (ii) the present value at the time of termination (calculated by discounting on a monthly basis at a discount rate equal to the rate payable on U.S. Treasury securities offered at the time of award having a maturity closest to the date on which the Term would have expired but for such termination) of the amount, if any, by which (A) the aggregate of the Basic Rent and all other Rent payable by Tenant under this Lease that would have accrued for the balance of the Term after termination, exceeds (B) the amount of such Basic Rent and other Rent which could reasonably be recovered by reletting the Premises for the remainder of the Term at the then-current fair rental value; plus (iii) interest on the amount described in (ii) above from the termination date to the date of the award at the Interest Rate.

(c) Repossession and Reletting. Landlord may reenter and take possession of all or any part of the Premises, without additional demand or notice unless required by applicable Laws, and repossess the same and expel Tenant and any party claiming by, through or under Tenant, and remove the effects of both using such force for such purposes as may be necessary, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Premises by Landlord will be construed as an election by Landlord to terminate this Lease unless a notice of such intention is given to Tenant. No notice from Landlord or notice given under a forcible entry and detainer statute or similar Laws will constitute an election by Landlord to terminate this Lease unless such notice specifically so states. Landlord reserves the right, following any reentry or reletting, to exercise its right to terminate this Lease by giving Tenant such notice, in which event the Lease will terminate as specified in such notice. After recovering possession of the Premises, Landlord will use reasonable efforts to relet the Premises on commercially reasonable terms and conditions. Landlord may make such repairs, alterations or improvements as Landlord considers appropriate to accomplish such reletting, and Tenant will reimburse Landlord upon demand for all reasonable costs and expenses, including attorneys' fees, which Landlord may incur in connection with such reletting. Landlord may collect and receive the rents for such reletting but Landlord will in no way be responsible or liable for any inability to relet the Premises or to collect any rent due upon such reletting. Landlord may apply the same first to the payment of such expenses as Landlord may have incurred in recovering possession of the Premises, including attorneys' fees and expenses for putting the same into good order and condition or preparing or altering the same for re-rental to the extent Landlord deems necessary or desirable and all other expenses, commissions and charges

paid, assumed or incurred by Landlord in or about reletting the Premises and then to the fulfillment of the covenants of Tenant hereunder. Any such reletting herein provided for may be for the remainder of the Term or any renewal term of this Lease, as originally granted, or for a longer or shorter period; Landlord will have the right to change the character and use made of the Premises, and Landlord will not be required to accept any substitute tenant offered by Tenant or to observe any instructions given by Tenant about reletting. Regardless of Landlord's recovery of possession of the Premises, so long as this Lease is not terminated Tenant will continue to pay (and Landlord may recover, if Tenant fails to do so), on the dates specified in this Lease, the Basic Rent and other Rent which would be payable if such repossession had not occurred, less a credit for the net amounts, if any, actually received by Landlord through any reletting of the Premises.

(d) Bankruptcy Relief. Nothing contained in this Lease will limit or prejudice Landlord's right to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding, an amount equal to the maximum allowable by any Laws governing such proceeding in effect at the time when such damages are to be proved, whether or not such amount be greater, equal or less than the amounts recoverable, either as damages or Rent, under this Lease.

15.4 Landlord's Default; Tenant's Remedies. If, during the Term, Landlord defaults in fulfilling any of its covenants, obligations or agreements set forth in this Lease, Tenant may give Landlord notice of such default and, if at the expiration of 30 days after delivery of such notice, such default will continue to exist, or in the event of a default which cannot with due diligence be cured within a period of 30 days, if Landlord fails to proceed promptly after the delivery of such notice and with all due diligence to commence to cure the same and thereafter to prosecute the curing of such default with all due diligence to completion as soon as reasonably possible, then Tenant will be entitled to exercise any right or remedy available to Tenant at law or in equity by reason of such default, except to the extent expressly waived or limited by the terms of this Lease, and, provided that Tenant stated in such notice of default to Landlord that Tenant intended to effect its self-help and offset rights under this Section 15.4, Tenant may proceed to cure Landlord's default and offset the amount reasonably expended by Tenant in doing so, plus interest thereon at the Interest Rate from the date incurred to the date offset, against the next accruing amounts of Basic Rent due hereunder; provided, however, in no event may Tenant offset against any monthly installment of Basic Rent an amount exceeding of such installment and if such monthly offset is less than the total amount of Tenant's expenses which are allowable for offset, the remaining balance thereof may be carried forward and offset against future installments of Basic Rent (but never more than of any month's Basic Rent); provided further that, if the balance of the Term will not allow full recovery of the offset amount at the rate of of each installment of Basic Rent, Tenant may amortize the full offset over the balance of the remaining monthly installments of Basic Rent, even if the monthly amortized offsets are in excess of of those installments. Notwithstanding the foregoing, however, if Tenant has been notified of the name and address of any mortgagee, ground lessor, trust deed holder, and/or sale-leaseback lessor of Landlord's interest in the Premises, then Tenant will not exercise any remedy as a result of Landlord's default unless and until Tenant has given any such mortgagee, ground lessor, trust deed holder and/or sale-leaseback lessor, by registered or certified mail, a copy of any notice of default served upon Landlord simultaneously with the delivery of notice to Landlord.

15.5 Disclaimer of Landlord's Lien. Landlord disclaims and waives any statutory or common law lien (excluding, however, any judgment lien) on the Leasehold Improvements or any personal property of Tenant in or on the Premises.

16. SUBORDINATION

16.1 Subordination, Nondisturbance and Attornment. This Lease will be subject and subordinate to any mortgage, deed of trust, ground lease or sale-leaseback now or hereafter placed upon the Premises by Landlord, and to amendments, replacements, renewals and extensions thereof, provided that the holder of the instrument to which this Lease is subordinated has given Tenant a reasonably acceptable agreement that, as long as Tenant is not in default in the payment of Rent and the performance of all covenants, agreements and conditions to be performed by Tenant under this Lease, and provided that Tenant attorns to the party acquiring title to the Premises as a result of the foreclosure, termination or transfer in lieu thereof of any such mortgage, deed of trust, ground lease or sale-leaseback, then neither Tenant's right to quiet enjoyment under this Lease, nor the right of Tenant to continue to occupy the Premises and to conduct its business thereon, in accordance with the terms of this Lease, will be interfered with by the holder of any such mortgage, deed of trust, ground lease or sale-leaseback, by any successor thereto or any successor to Landlord as a result of the foreclosure or termination thereof or transfer in lieu thereof, or by virtue of any such foreclosure, termination or transfer, and that the successor will perform Landlord's obligations arising under this Lease from and after the date of succession. Such subordination will be effective without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination. However, Tenant agrees at any time hereafter, upon demand, to execute and deliver any instruments, releases or other documents that may be reasonably required for the purpose of subjecting and subordinating this Lease, as above provided, to the lien of any such mortgage, deed of trust, ground lease or sale-leaseback.

16.2 Option to Make Lease Superior. Notwithstanding anything contained in Section 16.1, in the event the holder of any mortgage, deed of trust, ground lease or sale-leaseback instrument at any time elects to have this Lease constitute a prior and superior lien to its mortgage, deed of trust, ground lease or sale-leaseback instrument, then, and in such event, upon any such holder or Landlord notifying Tenant to that effect in writing, this Lease will be deemed prior and superior in lien to such mortgage, deed of trust, ground lease or sale-leaseback instrument, whether this Lease is dated prior to or subsequent to the date of such mortgage, deed of trust, ground lease or sale-leaseback instrument, and Tenant will execute such attornment agreement as may be reasonably requested by such holder.

17. MISCELLANEOUS

17.1 Brokers. Landlord and Tenant represent and warrant that no broker or agent negotiated or was instrumental in negotiating or consummating this Lease. Neither party knows of any real estate broker or agent who is or might be entitled to a commission or compensation in connection with this Lease. Tenant and Landlord will indemnify and hold each other harmless from all damages paid or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party

17.2 Estoppel Certificates. Landlord and Tenant agree, from time to time, upon not less than 10 days' prior written request by the other party, to deliver to the other party a statement in writing certifying (i) this Lease is unmodified and in full force and effect (or if there have been modifications, that the Lease as modified is in full force and effect and stating the modifications); (ii) the dates to which Basic Rent and other Rent have been paid; (iii) the other party is not in default in any provision of this Lease or, if in default, the nature thereof specified in detail; (iv) the amount of monthly Basic Rent currently payable by Tenant; (v) the amount of any prepaid Rent; (vi) that Tenant has taken possession of the Premises (if Tenant has in fact done so) and that Landlord has performed all of its obligations under Section } with respect to the design, construction and installation of the Cold Shell and the Leasehold Improvements, or if there are any such obligations remaining to be performed, specifying the same in detail; and (vii) such other matters as may be reasonably requested by the requesting party or any mortgagee or prospective purchaser of the Premises.

17.3 Notices. All notices required or permitted under this Lease must be in writing and will only be deemed properly given and received (i) when actually given and received, if delivered in person to a party who acknowledges receipt in writing or, for purposes of notice pursuant to Section 3, if transmitted by telecopier; or (ii) one Business Day after deposit with a private courier or overnight delivery service, if such courier or service obtains a written acknowledgment of receipt; or (iii) three Business Days after deposit in the United States mails, certified or registered mail with return receipt requested and postage prepaid. All such notices must be transmitted by one of the methods described above to the party to receive the notice at, in the case of notices to Landlord, Landlord's Notice Address, and in the case of notices to Tenant, the applicable Tenant's Notice Address, or, in either case, at such other address(es) as either party may notify the other of according to this Section 17.3.

17.4 Actions by Landlord's Agent. All rights and remedies of Landlord under this Lease or that may be provided by law may be executed by Landlord in its own name, individually, or in the name of its agent, and all legal proceedings for the enforcement of any such rights or remedies, including those set forth in Section 15, may be commenced and prosecuted to final judgment and execution by Landlord in its own name or in the name of its agent. Landlord will, upon Tenant's request, provide written evidence of the authority of any agent of Landlord to act on Landlord's behalf

17.5 Severability; Governing Law. If any term or provision of this Lease is to any extent held invalid or unenforceable, the remaining terms and provisions of this Lease will not be affected thereby, but each term and provision of this Lease will be valid and enforced to the fullest extent permitted by law. This Lease will be construed and enforced in accordance with the laws of the State of Colorado.

17.6 Transfers of Landlord's Interest. The term "Landlord" as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, will be limited to mean and include only the owner or owners of the Premises at the time in question, and in the event of any transfer or conveyance after the Commencement Date, the then grantor will be automatically freed and released from all personal liability accruing from and after the date of such transfer or conveyance as respects the performance of any covenant or obligation on the part of Landlord contained in this Lease to be performed, it being intended hereby that the covenants and obligations contained in this Lease on the part of Landlord will be binding, subject to Section 17.11, on the then Landlord only during and in respect to its period of ownership. In the event of a sale or conveyance by Landlord of the Premises after the Commencement Date, the same will operate to release Landlord from any future liability upon any of the covenants or conditions herein contained and in such event Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this Lease. This Lease will not be affected by any such sale or conveyance, and Tenant agrees to attorn to the purchaser or grantee, which will be obligated on this Lease only so long as it is the owner of Landlord's interest in and to this Lease.

17.7 Headings. The marginal or topical headings of the several sections are for convenience only and do not define, limit or construe the contents of such sections.

17.8 Complete Agreement; Modification. All of the representations and obligations of the parties are contained in this Lease and no modification, waiver or amendment of this Lease or of any of its conditions or provisions will be binding upon a party unless in writing signed by such party.

17.9 No Offer. The submission of this document for examination does not constitute an offer to lease, or a reservation of, or option for, the Premises. This document becomes effective and binding only upon the execution and delivery hereof by the proper officer of Landlord and by Tenant.

17.10 Survival. All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the Term will survive the expiration or earlier termination of the Term, including, without limitation, all payment obligations with respect to Taxes and all obligations concerning the condition of the Premises.

17.11 Limitation on Landlord's Liability. Tenant agrees to look solely to Landlord's interest in the Premises for the recovery of any judgment from Landlord, it being agreed that Landlord, and if Landlord is a partnership, its partners whether general or limited, and if Landlord is a corporation, its directors, officers or shareholders, and if Landlord is a limited liability company, its managers or members, will never be personally liable for any such judgment.

17.12 Authority. Tenant will furnish to Landlord and Landlord will furnish to Tenant, promptly upon demand, a corporate resolution, proof of due authorization of partners, or other appropriate documentation reasonably requested by the other party evidencing the due authorization of Tenant or Landlord, as the case may be, to enter into this Lease.

17.13 No Partnership. This Lease will not be deemed or construed to create or establish any relationship or partnership or joint venture or similar relationship or arrangement between Landlord and Tenant hereunder.

17.14 Force Majeure. Whenever a period of time is herein prescribed for action to be taken by either party, such party will not be liable or responsible for, and there will be excluded from the computation of any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations or restrictions or any other causes of any kind whatsoever which are beyond the reasonable control of such party. A lack of funds, however, will never be deemed beyond a party's reasonable control.

17.15 Financial Statements. Tenant acknowledges that it has provided Landlord with its financial statement as a material inducement to Landlord's agreement to lease the Premises to Tenant, and that Landlord has relied on the accuracy of such financial statement in entering into this Lease. Tenant represents and warrants that the information contained in such financial statement is true, complete and correct in all material aspects. Within 10 days from request by Landlord, Tenant will make available to Landlord or to any prospective purchaser or lender of the Premises, audited financial statements of Tenant or any guarantor, provided, that Landlord or any such prospective purchaser or lender agrees to maintain such statements in confidence, and provided further that if audited financial statements of Tenant are not available at the time of such request, Tenant may deliver unaudited statements prepared in accordance with generally accepted accounting principles consistently applied and certified to be true and correct by Tenant's chief financial officer.

17.16 Binding Effect. The covenants and agreements herein contained will bind and inure to the benefit of Landlord and its successors and assigns, and Tenant and its permitted successors and assigns. All obligations of each party constituting Tenant hereunder will be the joint and several obligations of each such party.

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first set forth above.

LANDLORD:

GLENBOROUGH PROPERTIES, L.P.,
a California limited partnership

By: Glenborough Realty Trust Incorporated,
a Maryland corporation
Its General Partner

By: /s/ Steve F. Hallsey
Its: Sr. Vice President
Commercial Property Management

TENANT:

ADS ALLIANCE DATA SYSTEMS, INC.,
a Delaware corporation

By: /s/ Dwayne Tucker
Its: CAO

And: _____
Its: _____

State of California §

County of San Mateo §

On March 12, 2001, before me, Catherine Roselli Smith, Notary Public for aforesaid County and State, personally appeared Steve F. Hallsey, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument. ·

WITNESS my hand and official seal.

(SEAL)

Signature /s/ Catherine Roselli Smith
Notary Public

My Commission expires on: 4/3/02

State of Texas §

County Collin §

The foregoing instrument was acknowledged before me this 11th day of January, 2001 by Dwayne Tucker as CAO of ADS Alliance Data Systems, Inc., a Delaware corporation

(SEAL)

Signature /s/ Jane Baedke
Notary Public

FIRST AMENDMENT TO LEASE

This First Amendment to Lease ("Agreement") is made and entered into as of February 23, 2007, by and between Glenborough Westminster Center, LLC, a Delaware limited liability company, ("Landlord") and ADS Alliance Data Systems, Inc., a Delaware corporation ("Tenant").

RECITALS

This Agreement is made with reference to the following facts and objectives:

A. By Build-to-Suit Net Lease by and between Glenborough Properties, L.P., ("GLB LP") and Tenant dated as of January 11, 2001, (the "Lease") Tenant leases the entirety of the approximately 65,707 square foot Building and any other Leasehold Improvements located on the Land legally described in Exhibit A to the Lease, as such capitalized terms are defined in Section 1.1 of the Lease, (collectively, the "Premises" herein) and demised in Section 2.1 of the Lease. The Building was subsequently assigned a postal address of 995 West 122nd Street, Westminster, Colorado.

B. Landlord has succeeded to GLB LP under the Lease.

C. Tenant has exercised its first renewal option as set forth in Section 2.5 of the Lease and the parties desire to memorialize the resulting extension of the Lease Term.

NOW, THEREFORE, Landlord and Tenant hereby agree as follows:

AGREEMENT

1. Tenant has exercised its first renewal option as set forth in Section 2.5 of the Lease, either in full compliance with the terms and provisions of said renewal, or with waiver of any objections by Landlord to the timing or method of such renewal. In the event Landlord waived any requirements of Section 2.5, such waiver shall be one time only and not affect the requirements for exercise of Tenant's second renewal option.

2. In accordance with the provisions of Section 2.5 of the Lease, the First Renewal Term shall commence on September 1, 2007, and expire on August 31, 2012, and Basic Rent payable for each month of the First Renewal Term shall be .

3. Capitalized terms not defined herein are defined in the Lease. All other terms, covenants, and conditions of the Lease remain in full force and effect, but to the extent there are any inconsistencies between this Agreement and the Lease, this Agreement shall govern. There are no oral agreements or other written agreements on the subject matter of this Agreement which are separate from this Agreement.

[Remainder of page intentionally blank; signature blocks on next page.]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Agreement as of the date first above written.

LANDLORD:

GLENBOROUGH WESTMINSTER CENTER, LLC,
a Delaware limited liability company

By: /s/ (illegible)

Its: (illegible)

TENANT:

ADS ALLIANCE DATA SYSTEMS, INC.
a Delaware Corporation

By: /s/ Robert Box

Its: Senior Vice President

THIRD AMENDMENT TO LEASE

This Third Amendment to Lease (this "Third Amendment") is entered into as of November 3, 2011, between **Westminster Westminster LLC**, a Colorado limited liability company, as successor "Landlord" and **ADS Alliance Data Systems, Inc.**, a Delaware corporation, as "Tenant."

RECITALS

- A. Tenant and Glenborough Properties, L.P. ("GLB LP"), as the original landlord, entered into a Build-to-Suit Net Lease, dated as of January 11, 2001, as amended by the First Amendment to Lease, dated as of February 23, 2007, between Tenant and Glenborough Westminster Center, LLC (as successor landlord to GLB LP), and by the Second Amendment to Lease, dated as of May 30, 2008, between Tenant and Landlord (collectively, the "Lease").
- B. Pursuant to the Lease, Tenant leases from Landlord the real property and improvements, including the approximately 65,707 square foot building, located at 955 West 122nd Street, Westminster, Colorado (the "Premises").
- C. Tenant now desires to exercise its option to renew the Term of the Lease for the Second Renewal Term as set forth in Section 2.5 of the Lease.
- D. Any capitalized term used in this Third Amendment but not defined in this Third Amendment has the meaning given for such term in the Lease.

AGREEMENT

NOW, THEREFORE, for good and valuable separate consideration given for this Third Amendment, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. The Term of the Lease is extended from August 31, 2012 through and including August 31, 2017 (the "Second Renewal Term"). Landlord and Tenant hereby acknowledge that Tenant's option to renew the term of the Lease for the Second Renewal Term has been exercised by the execution of this Third Amendment. Tenant will have no further options to renew the Lease.
2. The Second Renewal Term will be on the same terms and conditions as the Lease, except that Basic Rent for the Premises for the Second Renewal Term will be per month.
3. Landlord and Tenant respectively represent and warrant to each other that neither of them has consulted or negotiated with any broker or finder with regard to this Third Amendment. Each of them will indemnify the other against and hold the other harmless from any claims for fees or commissions from any broker or finder with whom it has consulted or negotiated with regard to this Third Amendment.
4. Landlord and Tenant confirm and ratify in all respects, the terms and conditions of the Lease, as amended by this Third Amendment.

Landlord and Tenant have executed this Third Amendment as of the date first set forth above.

LANDLORD:

Westminster Westminster LLC,
a Colorado limited liability company

By: Westminster Fund VII LP
Its: Member

By: Westminster Advisors VII LLC
Its: General Partner

By: /s/ Charles E. King
Name: Charles E. King
Title: Authorized Agent

TENANT:

ADS Alliance Data Systems, Inc.,
a Delaware corporation

By: /s/ Daniel T. Groomes
Name: Daniel T. Groomes
Title: Retail CFO, SRVP

ASSUMPTION OF LEASE

THIS ASSUMPTION OF LEASE (this "Assumption") is executed as of October 14, 2013, by Comenity Servicing LLC, a Texas limited liability company for the benefit of Landlord ("Comenity Servicing").

Recitals

A. ADS Alliance Data Systems, Inc., a Delaware corporation ("ADS"), and Glenborough Properties, L.P. ("GLB LP"), as the original landlord, entered into a Build-to-Suit Net Lease, dated as of January 11, 2001, for premises located at 955 West 122nd Street, Westminster, Colorado, as amended by First Amendment to Lease, dated as of February 23, 2007, between ADS and Glenborough Westminster Center, LLC (as successor landlord to GLB LP), and by Second Amendment to Lease, dated as of May 30, 2008, between ADS and Westminster Westminster LLC, a Colorado limited liability company, as successor landlord ("Landlord"), and by Third Amendment to Lease, dated as of November 3, 2011, between ADS and Landlord (collectively, the "Lease").

B. Pursuant to an Assignment and Assumption dated January 1, 2013, the Lease was assigned by ADS to Comenity LLC, a Delaware limited liability company. Pursuant to an Assignment and Assumption, also dated January 1, 2013, the Lease was then assigned by Comenity LLC to Comenity Servicing.

Assumption

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Comenity Servicing agrees as follows:

1. Comenity Servicing confirms that it is the current tenant under the Lease.
2. Comenity Servicing hereby ratifies the Lease and assumes all liabilities and obligations of the tenant under the Lease arising on or after January 1, 2013.
3. This Assignment shall be binding upon and inure to the benefit of Comenity Servicing and its successors and assigns. This Assignment shall be governed and construed in accordance with the laws of the State of Colorado, without reference to conflict of laws principles.

IN WITNESS WHEREOF, the undersigned has executed this Assumption as of the date first set forth above.

Comenity Servicing LLC,
a Texas limited liability company

By /s/ Sallie Komitor
Name Sallie Komitor
Its President

FOURTH AMENDMENT TO LEASE

This Fourth Amendment to Lease (this "**Fourth Amendment**") is entered into as of the 12th day of December, 2014 (the "**Effective Date**"), by and between **Westminster Westminster LLC**, a Colorado limited liability company, as successor landlord ("**Landlord**"), and **Comenity Servicing LLC**, a Texas limited liability company ("**Tenant**").

RECITALS

A. ADS Alliance Data Systems Inc., a Delaware corporation ("ADS"), and Glenborough Properties, L.P. ("GLB LP"), as the original landlord, entered into a Build-to-Suit Lease, dated as of January 11, 2001, for premises (the "Existing Premises") consisting of the land and improvements located at 995 West 122nd Street, Westminster, Colorado (the "Original Lease"), as amended by First Amendment to Lease, dated as of February 23, 2007, between ADS and Glenborough Westminster Center, LLC, as successor landlord to GLB LP and by Second Amendment to Lease, dated as of May 30, 2008, between ADS and Westminster Westminster LLC, a Colorado limited liability company, as successor landlord to Glenborough Westminster Center, LLC and by Third Amendment to Lease dated as of November 3, 2011, between ADS and Landlord (collectively, the "Lease").

B. Pursuant to an Assignment and Assumption dated January 1, 2013, the Lease was assigned by ADS to Comenity LLC, a Delaware limited liability company ("Comenity LLC"). Pursuant to an Assignment and Assumption, also dated January 1, 2013, the Lease was then assigned by Comenity LLC to Tenant.

C. Landlord and Tenant agree to expand the Existing Premises currently demised under the Lease whereby Landlord shall construct a new building of approximately 53,500 SF (the "Expansion Premises").

D. Tenant shall continue to pay rent on the Existing Premises during the construction of the Expansion Premises.

AGREEMENT

NOW THEREFORE, the above Recitals being incorporated herein by this reference and made a part of this Agreement, and for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Expansion Premises.** Landlord shall, at its sole cost (except as otherwise set forth below), construct the Expansion Premises in accordance with the provisions of this Fourth Amendment on the land parcel(s) adjacent to the east side of the Existing Premises measuring approximately 5.81 acres (the "**Expansion Site**"), which Expansion Site is more specifically shown and depicted on Exhibit A attached hereto and made a part hereof. From and after the Expansion Commencement Date, all references in the Lease to the "Building" and "Land" shall thereafter incorporate the Expansion Premises and the Expansion Site, respectively, and therefore, the Expansion Premises and Existing Premises (together consisting of approximately 119,207 SF) shall together, with the Land and all Improvements, constitute the "Premises" under the Lease (which may also, for the sake of clarity, be referred to herein as the "**Entire Premises**").

2. **Tenant Improvements.**

a) Tenant shall, at its sole cost and expense, perform such work as may be necessary or desired by Tenant to improve the Expansion Premises (the "**Expansion Leasehold Improvements**"), all subject to and in accordance with the Expansion Leasehold Improvement Plans. From and after the Expansion Commencement Date, all references to the Leasehold Improvements in the Lease shall thereafter incorporate the Expansion Leasehold Improvements.

b) The cost of the Expansion Leasehold Improvements shall be subject to an allowance of (the "**ELI Allowance**") which will be payable by Landlord to Tenant in accordance with the provisions of Section 10.9 below.

3. **Commencement.** The "**Expansion Commencement Date**" shall be the earlier of a) one hundred five (105) days following the Delivery Date (as defined in Section 10.2 below) or b) the date on which a final, unconditional certificate of occupancy has been issued by the appropriate government entity for the Expansion Premises. The "**Target Delivery Date**" shall be July 1, 2015; it being expressly acknowledged by the parties hereto that the Target Delivery Date is subject to, and Landlord shall bear no liability to Tenant for any delay due to, conditions and circumstances that are not wholly within Landlord's ability to control. Within thirty (30) days following the Expansion Commencement Date, Landlord and Tenant shall execute a Supplement Agreement substantially similar to the form attached hereto as Exhibit H.

4. **Expiration.** On the Expansion Commencement Date, the Expansion Premises shall be incorporated into the Lease, and the Expiration Date of the Lease regarding the Entire Premises shall be extended to the last day of the month that is one hundred forty-eight (148) months following the Expansion Commencement Date. As defined in the Original Lease, the "Term" shall include this 148-month extension period.

5. **Rent on Existing Premises During Construction.** Tenant shall continue to pay Rent for the Existing Premises throughout construction of the Expansion Premises pursuant to the existing Lease terms and without abatement, withholding, or right of offset.

6. **Basic Rent.** On the Expansion Commencement Date, Basic Rent for the Entire Premises shall be adjusted to the basic rate schedule as set forth in Exhibit B attached hereto.

7. **Tenant's Rebate.** On the Expansion Commencement Date, Landlord shall rebate the amount of to Tenant.

8. **Design of Expansion Premises.**

a) The overall design of the Expansion Premises shall generally be consistent with that which is set forth within the Official Development Plan progress draft prepared by Intergroup Architects dated October 13, 2014 (the "**Preliminary Drawings**") attached as Exhibit C hereto.

b) The corridor connecting the Expansion Premises to the Existing Premises as noted in the Preliminary Drawings (the "**Connector Corridor**") shall, for the purposes of this Fourth Amendment, be considered a part of the Expansion Premises (subject, however, to the terms and provisions of Section 10.14 below).

c) The Preliminary Drawings shall serve as a frame of reference of the construction, build-out and design of the Expansion Premises. Tenant acknowledges that the actual construction of the Expansion Premises shall be in substantial accordance with a final development plan (the "**Final Plans**"), which shall be subject to the necessary approvals and conditions of any government body, association, or any other authority having jurisdiction, together with the holders of any easement or other rights of record impacting the same, and may vary from the Preliminary Drawings. As used herein, the Final Plans shall incorporate the Expansion Shell Plans (defined in Section 10.6 below).

d) The Final Plans may vary from the Preliminary Drawings, and notwithstanding anything contained in this Fourth Amendment to the contrary, Tenant may not object to any changes as may be incorporated in the Final Plans to the extent such changes are necessary to obtain the approval of any government body, association or any other authority having jurisdiction over the Premises, or the holders of any easement or other rights of record impacting the same.

e) Landlord and Tenant shall consult with the other regarding formal or informal changes, modifications, and Change Orders (as defined in Section 10.10 below).

f) Unless otherwise agreed to in writing by Landlord and Tenant, the "**Expansion Shell Specifications**" and "**Leasehold Improvement Specifications**" prepared by DSP Builders, Inc. and set forth in *Exhibits D and E*, respectively (collectively, the "**Expansion Specifications**") attached hereto, shall govern the specifications for the construction of the Expansion Premises and Expansion Leasehold Improvements, subject to the Final Plans and the terms and provisions of this Fourth Amendment.

9. **Acquisition of Expansion Site.** This Fourth Amendment is contingent upon Landlord's ability to acquire fee simple ownership of the Expansion Site. Within thirty (30) days following the later of (a) the Effective Date of this Fourth Amendment, and (b) the date of Landlord's receipt of an executed Guaranty ("**Guaranty**") from Alliance Data Systems Corporation, a Delaware corporation ("**Guarantor**"), in the form of *Exhibit F* attached hereto (the "**Acquisition Deadline**"), Landlord shall acquire the fee simple ownership interest in the Expansion Site. If Landlord fails to acquire the fee simple ownership interest in the Expansion Site on or before the Acquisition Deadline and Tenant has at all times cooperated with Landlord's efforts to acquire the fee simple ownership interest in the Expansion Site, Tenant may terminate this Fourth Amendment without liability to Landlord upon thirty (30) day's written notice to Landlord (and Landlord's failure to so acquire fee simple ownership interest in the Expansion Site within such additional 30-day notice period), and thereafter, Landlord's and Tenant's respective obligations to the other under the Lease shall be as set forth previously between the parties as though this Fourth Amendment never existed, and further, to the extent Landlord's failure to acquire the Expansion Site is due to Landlord's negligence or willful

misconduct, any and all liability of Tenant to Landlord pursuant to the terms of that certain Fifth Letter Agreement and Indemnification dated December 12, 2014 between Landlord and Tenant (the "**Indemnification Letter**") shall be released, discharged and forever forgiven by Landlord.

10. Construction; Delivery and Acceptance of Premises.

10.1 **Landlord's Obligations.**

a) Subject to and in accordance with the provisions of this Section 10, Landlord, at Landlord's cost and expense, shall (i) purchase the Expansion Site, and (ii) design, construct and install the Expansion Premises on the Expansion Site (collectively, along with all ancillary activities pertaining thereto, the "**Landlord's Expansion Premises Work**"). "**Total Core & Shell Costs**" shall be defined as any and all costs incurred by Landlord in order to complete the Landlord's Expansion Premises Work. Landlord and Tenant hereby agree that in no event shall the Total Core & Shell Costs and the ELI Allowance, together, exceed in the aggregate. If the actual Total Core & Shell Costs (including costs attributable to any Change Orders) and ELI Allowance, together, exceed in the aggregate, then the ELI Allowance shall be reduced on a "dollar-for-dollar" basis based on such excess such that the Total Core & Shell Costs and ELI Allowance, together, shall equal . In no instance shall the ELI Allowance be reduced to an amount less than zero. For the avoidance of doubt, Tenant and Landlord hereby agree that Tenant shall not incur out-of-pocket expense to pay for actual Total Core & Shell Costs, and further, Tenant shall be and remain responsible for costs of Expansion Leasehold Improvements in excess of the ELI Allowance (as the same may be reduced hereunder). The parties agree to work together in good faith so that this project can be completed promptly and in the most cost-efficient manner possible.

b) The determination and approval of costs associated with the Landlord's Expansion Premises Work are addressed in this Section 10, and the estimated costs are identified in Exhibit G attached hereto. Landlord and Tenant hereby approve and acknowledge the costs of acquiring the Expansion Site as set forth in said Exhibit G.

c) Landlord will use reasonable efforts to cause Landlord's Expansion Premises Work to be Substantially Completed by the Target Delivery Date and will continually advise Tenant during the construction process of any changes in the construction schedule.

d) Landlord has selected Prime West Development, Inc. ("**Developer**") and DSP Builders, Inc. ("**General Contractor**") to act on Landlord's behalf as the developer and general contractor, respectively. Landlord shall require a guaranteed maximum price contract and a performance bond for the Landlord's Expansion Premises Work for the benefit of Landlord from the General Contractor, the cost of which shall be included in the Total Core & Shell Costs. Landlord shall require the General Contractor to competitively bid each job to at least three (3) qualified sub-contractors. Tenant shall have the right to designate up to one (1) sub-contractor of its choice for each job provided that Tenant submits to Landlord the name of any such sub-contractor(s) it wishes to

include in the bidding process no later than such time that Tenant approves (or is deemed to have approved) the Expansion Shell Plans. The Developer shall manage all budgeting, scheduling, architectural, design, permitting, construction, and project accounting activities for Landlord and Tenant during the initial construction of the Expansion Premises (including the Expansion Leasehold Improvements). Any fee(s) payable to the Developer shall be included in the Total Core & Shell Costs. e) Landlord's Expansion Premises Work shall be constructed in accordance with the material provisions of all statutes, ordinances, building codes, regulations and other requirements of any applicable government or quasi-government authority having jurisdiction over the construction of the Landlord's Expansion Premises Work, including, without limitation, the Americans with Disabilities Act, and in substantial accordance with the Final Plans and Expansion Shell Specifications, subject to Section 10.14 hereof. Following approval of the Final Plans by Landlord, Tenant and any applicable government or quasi-government authority having jurisdiction, Landlord shall not make any material change to the Landlord's Expansion Premises Work, except by written change order agreed to and approved by Tenant which, if required by any applicable government or quasi-government authority having jurisdiction thereover, shall not be unreasonably withheld, conditioned, or delayed.

f) In the event the Total Core & Shell Costs (including costs attributable to any Change Orders) is less than , the difference shall be added to the ELI Allowance.

10.2 Delivery of Possession. The "**Delivery Date**" shall be the date on which Landlord delivers possession of the Expansion Premises to Tenant with the Landlord's Expansion Premises Work Substantially Completed and has delivered to Tenant a Certificate of Completion (as defined in Section 10.3 below). If Landlord is unable to deliver possession of the Expansion Premises with the Landlord's Expansion Premises Work Substantially Completed by the Target Delivery Date, then, except as provided below, Landlord will not be in default or liable in damages to Tenant, nor will the obligations of Tenant be affected, provided however, that the Delivery Date will be extended automatically by one day for each day of the period after the Target Delivery Date to the day on which Landlord tenders possession of the Expansion Premises to Tenant with Landlord's Expansion Premises Work Substantially Completed as evidenced by the delivery of the Certificate of Completion, less any portion of that period attributable to Tenant's Delays as more particularly described in Section 10.11 below. Such postponement of the Delivery Date will be in full settlement of all claims that Tenant might otherwise have against Landlord by reason of Landlord's failure to have Substantially Completed its obligations by the Target Delivery Date. Notwithstanding the foregoing, to the extent that Landlord, by reason of its own negligence or willful misconduct, is not able to deliver possession of the Expansion Premises with the Landlord's Expansion Premises Work Substantially Completed by the Target Delivery Date, then in addition to automatically extending the Delivery Date as set forth above, Landlord shall also abate Base Rent beginning on the Expansion Commencement Date for a number of days that is equivalent to the number of days that delivery of the Expansion Premises was delayed as a result of Landlord's negligence or willful misconduct. If Landlord delivers possession of the Premises with the Landlord's

Expansion Premises Work Substantially Completed prior to the Target Delivery Date, then Tenant may either accept such delivery (in which case such date will be the Delivery Date hereunder) or may refuse to accept delivery until any date selected by Tenant that is not later than the Target Delivery Date. As used herein, the terms "**Substantially Completed**" and "**Substantially Completes**" and "**Substantial Completion**" (or words of similar import) means that the Expansion Premises are broom clean, free of construction tools and materials, and Landlord's Expansion Premises Work has been completed in substantial accordance with the Final Plans with only minor Punch List Items remaining to be completed or corrected pursuant to Section 10.3 below. Within sixty (60) days after the Commencement Date, Landlord will provide to Tenant a complete set of as-built drawings of Landlord's Expansion Premises Work and manuals for any equipment incorporated into the Expansion Premises as a part of Landlord's Expansion Premises Work.

10.3 **Certificate of Completion.** No later than five (5) days following the date Landlord Substantially Completes Landlord's Expansion Premises Work, (the "**Punch List Inspection Period**"), Landlord and Tenant shall jointly inspect the Landlord's Expansion Premises Work and jointly prepare a list (the "**Punch List**") of the Punch List Items (as defined below) of the observable defects or uncompleted items necessary to be corrected. Landlord, upon receipt of the Tenant's Punch List, shall commence correction of the Punch List Items within thirty (30) days and shall notify the Tenant when all reasonable items have been corrected or completed. The term "**Punch List Items**" shall mean details of construction which are included within the scope of the Expansion Shell Plans and, in the aggregate, are minor in character and do not materially interfere with Tenant's ability to commence the Expansion Leasehold Improvements. In the event Tenant does not deliver a Punch List within thirty (30) days following the date Landlord Substantially Completes Landlord's Expansion Premises Work, then Landlord's Expansion Premises Work shall be deemed complete and Landlord shall have no further obligation to perform any such work. On the Delivery Date, Landlord shall deliver to Tenant a "**Certificate of Completion**" acknowledging that a) that the Landlord's Expansion Premises Work has been Substantially Completed in accordance with the Final Plans and b) Tenant may proceed with the Expansion Leasehold Improvements work. If there is any dispute as to whether Landlord has Substantially Completed the Landlord's Expansion Premises Work, Tenant shall so notify Landlord in writing within five (5) Business Days following the Delivery Date and Landlord shall thereupon request a good faith written decision by Landlord's architect (the "**Substantial Completion Determination**"). If Tenant still disputes the Substantial Completion Determination of Landlord's architect, Tenant shall so advise Landlord in writing within five (5) Business Days following the date of delivery of such Substantial Completion Determination to Tenant, and the parties shall thereafter request a good faith decision by an independent licensed third party architect mutually and reasonably acceptable to each of Landlord and Tenant (the "**Third Party Determination**"), it being acknowledged, understood, and agreed that neither party shall unreasonably withhold, condition, or delay the selection or appointment of such independent architect, which Third Party Determination shall be final and binding on the parties. Landlord and Tenant shall split the cost of such Third Party Determination unless such Third Party Determination affirms the determination of Landlord or

Landlord's architect regarding Substantial Completion, in which event (i) the Landlord's Expansion Premises Work shall be deemed Substantially Completed as of the date of the determination of Landlord or Landlord's architect, as the case may be, and (ii) Tenant shall reimburse Landlord, within twenty (20) days following Landlord's invoice therefor, for all fees and costs incurred by Landlord for such Third Party Determination, which sums shall be deemed additional Rent under the Lease.

10.4 **Representatives.** Landlord appoints Matthew Van Wie (the "**Landlord's Representative**") to act for Landlord in all matters covered by this Section 10. Tenant appoints Oren Snell, or if Mr. Snell is not available, Bruce McClary ("**Tenant's Representative**") to act for Tenant in all matters covered by this Section 10. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Section 10 will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or requests to, and will not give any instructions or authorizations to, any other employee or agent of Landlord, including Landlord's architect, engineers and contractors or any of their agents or employees, with regard to matters covered by this Section 10. Either party may change its representative at any time by three (3) Business Days' prior written notice to the other party.

10.5 **Expansion Premises Design Information.** Landlord and Tenant agree that Tenant submitted all information necessary for preparation of the Expansion Shell Plans (the "**Expansion Premises Design Information**") prior to the execution of this Fourth Amendment.

10.6 **Expansion Shell Plans.** The construction plans and specifications for the portion of the Expansion Premises and the associated site Improvements on the Expansion Site (e.g. driveways, parking areas, landscaping, and exterior lighting) generally outlined by the Preliminary Drawings, excluding any Expansion Leasehold Improvements, shall be referred to herein as the "**Expansion Shell Plans**." Upon execution of this Fourth Amendment, Landlord will cause its architect to prepare the Expansion Shell Plans based on the submitted Expansion Premises Design Information and the Expansion Shell Specifications (collectively, the "**Expansion Premises Design Standards**"). Within five (5) Business Days after receipt of the proposed Expansion Shell Plans, together with a cost estimate for the Landlord's Expansion Premises Work, Tenant will either approve the same in writing or notify Landlord in writing of how the proposed Expansion Shell Plans are inconsistent with the Expansion Premises Design Standards and how the Expansion Shell Plans must be changed in order to make them consistent with the Expansion Premises Design Standards. Each Business Day following the fifth (5th) Business Day after the proposed Expansion Shell Plans are submitted to Tenant until Tenant approves them or delivers such notice of objections will be a day of Tenant's Delay. Upon receipt of Tenant's notice of objections, Landlord will cause its architect to prepare revised Expansion Shell Plans according to such notice and submit the revised Expansion Shell Plans, together with a revised cost estimate for the construction of the Expansion Premises, to Tenant. Upon submittal to Tenant of the revised Expansion Shell Plans, and upon submittal of any further revisions, the procedures described above will be repeated. Tenant may not object, and

Landlord shall not be required to make any revision, to the Expansion Shell Plans to the extent they are consistent with the Expansion Premises Design Standards.

10.7 **Expansion Shell Construction.** At such time as the Expansion Shell Plans have been approved in writing by both Landlord and Tenant, Landlord shall cause the Expansion Premises to be constructed or installed on the Expansion Site in a good and workmanlike manner and in substantial accordance with the approved Expansion Shell Plans and all applicable Laws. Landlord will, on or before the fifteenth (15th) day of each month, provide Tenant with a summary of the actual funds expended to date (based on monthly payment applications submitted by the builder in accordance with the construction contract) compared to the estimated costs for construction of the Landlord's Expansion Premises Work.

10.8 **Expansion Leasehold Improvement Plans.** The construction plans and specifications for the Expansion Leasehold Improvements shall be referred to herein as the "**Expansion Leasehold Improvement Plans**" and shall be consistent with the Leasehold Improvement Specifications. Tenant will cause Intergroup Architects (or another architect approved by Landlord) to prepare the Expansion Leasehold Improvement Plans and shall submit said plans to Landlord for Landlord's review. Within five (5) Business Days after receipt of the proposed Expansion Leasehold Improvement Plans, together with a cost estimate for the construction of the Expansion Leasehold Improvements, Landlord will either approve the same in writing or notify Tenant in writing of how the proposed Expansion Leasehold Improvement Plans are inconsistent with the Expansion Specifications and how the Expansion Leasehold Improvement Plans must be changed in order to make them consistent with the Expansion Specifications. Upon receipt of Landlord's notice of objections, Tenant will cause Intergroup Architects (or another architect approved by Landlord) to prepare revised Expansion Leasehold Improvement Plans according to such notice and submit the revised Expansion Leasehold Improvement Plans, together with a revised cost estimate for the construction of the Leasehold Improvements, to Landlord. Upon submittal to Tenant of the revised Expansion Leasehold Improvement Plans, and upon submittal of any further revisions, the procedures described above will be repeated. If Landlord neither approves nor objects to the Expansion Leasehold Plans within five (5) Business Days following Landlord's receipt of such plans, then the Expansion Leasehold Plans shall be deemed approved by Landlord.

10.9 **Construction of Expansion Leasehold Improvements.**

a) Tenant will cause the Expansion Leasehold Improvements to be constructed or installed in the Expansion Premises in a good and workmanlike manner and in substantial accordance with the Expansion Leasehold Improvement Plans and all applicable Laws. Tenant will own (and will be responsible for maintaining, repairing, replacing, and insuring) all of the Expansion Leasehold Improvements until the end of the Term, at which time the Leasehold Improvements will become Landlord's property. During the Term, Tenant may, in its sole discretion, remove or replace any of the personal property, equipment, trade fixtures or movable partitions owned by Tenant and placed or installed in the Premises at Tenant's expense. b) So long as Tenant is not

then in default (as defined in the Lease) beyond any applicable notice and cure period, the ELI Allowance shall be disbursed as follows: (A) of the ELI Allowance shall be paid to Tenant after Tenant has received the Certificate of Completion, has accepted possession of the Expansion Premises, and has delivered to Landlord a certificate executed by the General Contractor that Tenant has begun the Expansion Leasehold Improvements; (B) of the ELI Allowance shall be paid to Tenant after Tenant has delivered to Landlord (i) a certificate executed by the General Contractor stating that Tenant has completed of the Expansion Leasehold Improvements and (ii) duly executed lien waivers (or partial lien waivers, if applicable) from all subcontractors, laborers, and material suppliers engaged in furnishing materials or rendering services for such work; and (C) of the ELI Allowance shall be paid to Tenant after the date on which Landlord has received (i) a final affidavit from the General Contractor stating that the Expansion Leasehold Improvements have been completed in substantial accordance with the Expansion Leasehold Improvement Plans along with a final accounting of all costs associated with the Expansion Leasehold Improvements, (ii) duly executed lien waivers from all subcontractors, laborers, and material suppliers engaged in furnishing materials or rendering services for the Expansion Leasehold Improvements warranting they have been paid in full, (iii) a final notarized original, unconditional waiver of lien with respect to the Expansion Leasehold Improvements executed by the General Contractor, and (iv) a complete set of "as-built" plans, copies of all warranties, and any other customary documentation (e.g. operation manuals, wiring diagrams, programming notes, etc.) pertaining to the Expansion Leasehold Improvements as may be reasonably requested by Landlord. All waiver of lien documentation must, in every circumstance, be totally unconditional releases. In all cases, the ELI Allowance installments shall be payable to Tenant within twenty (20) days after the date on which the foregoing conditions are satisfied.

c) No later than ninety (90) days prior to the Target Delivery Date, Tenant shall provide Landlord with a proposed schedule for the construction and installation of the Expansion Leasehold Improvements and shall thereafter notify Landlord of any material changes to said schedule. Tenant and Landlord agree to coordinate together regarding the installation of Tenant's phone and data wiring and any other trade related fixtures that would reasonably be installed in the Expansion Premises prior to completion of the Landlord's Expansion Premises Work. Landlord agrees to reasonably cooperate with Tenant in Landlord's completion schedule so that Landlord completes the Landlord's Expansion Premises Work in parts of the Expansion Premises to facilitate Tenant's completion of the Expansion Leasehold Improvements in a manner which minimizes conflicts between Landlord's work and Tenant's work and facilitates Tenant's timely occupancy of the Expansion Premises to the extent such will not, in Landlord's commercially reasonable discretion, unreasonably interfere with or delay the Landlord's Expansion Premises Work. Landlord shall have no responsibility or liability whatsoever for any loss or damage to any of Tenant's Expansion Leasehold Improvements, fixtures, equipment or any other materials installed or left in the Expansion Premises by Tenant prior to the Delivery Date unless such loss or damage is due to the negligence or willful misconduct of Landlord's employees or contractors. During any entry upon the Expansion Premises prior to the Expansion Commencement Date (i) Tenant shall comply with all terms and conditions of the Lease (except for the obligation to pay Base

Rent according to *Exhibit B*), (ii) Tenant shall not interfere with the Landlord's Expansion Premises Work, (iii) Tenant shall cause its personnel, employees, agents, guests, invitees and contractors to observe and comply with the terms and conditions of the Lease, including any applicable insurance provisions, and (iv) Tenant shall not begin operation of its business in the Expansion Premises. Tenant acknowledges that Tenant shall be responsible for obtaining all applicable permits and inspections relating to any such entry by Tenant and shall deliver all necessary certificates of insurance to Landlord prior to such entry.

d) Tenant shall keep the Expansion Premises free from all recorded liens of any subcontractors, laborers and materialmen incurred as a result of the construction of the Expansion Leasehold Improvements. In the event any such lien shall be filed and recorded, Tenant shall promptly take all steps necessary to release and bond such lien in the manner required by law in the State of Colorado and Tenant shall indemnify, defend and save harmless Landlord from and against any loss, liability, damage, cost or expense, including attorney's fees, to the extent arising from liens or claims of lien for work done and/or materials furnished by subcontractors, laborers and/or materialmen performing any of the Expansion Leasehold Improvements. To the extent Landlord incurs any out-of-pocket costs with respect to any such lien and the ELI Allowance has not been fully disbursed, Landlord may deduct the amount of such out-of-pocket costs from the ELI Allowance plus a administration fee.

10.10 **Change Orders.** Tenant's Representative may authorize changes in Landlord's Expansion Premises Work consistent with the Expansion Premises Design Standards during construction only by written instructions to Landlord's Representative on a form approved by Landlord. All other changes will be subject to Landlord's prior written approval. Prior to commencing any change, Landlord will prepare and deliver to Tenant, for Tenant's approval, which approval shall not be unreasonably withheld, conditioned, or delayed, a written change order ("**Change Order**") identifying the total cost or savings of such change, which will include associated architectural, engineering and construction contractor's fees, and the total time that will be added to or subtracted from the construction schedule by such change. If Tenant fails to approve such Change Order within five (5) Business Days after delivery by Landlord, Tenant will be deemed to have withdrawn the proposed change and Landlord will not proceed to perform the change. Upon Landlord's receipt of Tenant's approval, Landlord will proceed to perform the change. Notwithstanding anything herein to the contrary, to the extent any Change Order, or aggregation of Change Orders, would result in an increase to the Total Core & Shell Costs such that the ELI Allowance would be reduced (as set forth in Section 10.1) to zero, then Landlord may, in its sole discretion, reject any such Change Order(s).

10.11 **Tenant's Delay.** As provided in Section 10.2, the initial term of the Lease (and therefore Tenant's obligation for the payment of Rent according to *Exhibit B*) as it applies to the Expansion Premises will not commence until the Expansion Commencement Date; provided, however, that if Landlord is delayed in causing Landlord's Expansion Premises Work to be Substantially Completed as a result of: (a) any "**Tenant's Delay**" as described in Section 10.6 above; (b) any Change Order(s) or changes in any drawings, plans or specifications requested by Tenant; or (c) Tenant's

failure to review or approve in a timely manner any item requiring Tenant's review or approval, then the Delivery Date will only be extended under Section 10.2 until the date on which Landlord would have Substantially Completed the performance of Landlord's Expansion Premises Work but for such delays. The aggregate Tenant delays described in this Section 10.11 will be reduced by the number of days deducted from the construction schedule on account of Change Orders requested by Tenant. As a condition to claiming a Tenant's Delay, Landlord will advise Tenant of the circumstances giving rise to the claim promptly after they arise and will advise Tenant of the cost that Tenant can pay at that time to effect any available remedy to eliminate such Tenant's Delay (such as, e.g., overtime work), and if Landlord fails to so advise Tenant of such Tenant's Delay within five (5) Business Days after the commencement of such Tenant's Delay, then the period commencing on the fifth (5th) Business Day following the commencement of such Tenant's Delay and continuing through the date on which Landlord so advises Tenant of such Tenant's Delay shall be disregarded for purposes of determining the total number of days of Tenant's Delay hereunder.

10.12 **Construction Warranty.** Landlord shall cause the General Contractor to warrant that Landlord's Expansion Premises Work will be free of all defects in design, materials or construction for a period of one (1) year from the date Landlord's Expansion Premises Work is Substantially Completed. Upon receipt of written notice from Tenant within such one (1) year warranty period, Landlord will cause all defects resulting from faulty or non-conforming materials or workmanship to be promptly remedied without further charge to Tenant. Upon the expiration of such one (1) year warranty period on Landlord's Expansion Premises Work, Landlord shall assign and transfer to Tenant, and Tenant shall have the benefit of, all manufacturers', suppliers', distributors' and/or any other person's warranties and/or guaranties for all of the property and equipment they used in the construction of the Landlord's Expansion Premises Work for which Tenant shall have maintenance obligations under the Lease. The originals or copies of all such warranties shall be delivered to Tenant if and only if Tenant has maintenance responsibility for such warranted item under the terms of the Lease, and upon the expiration or earlier termination of the Lease, Tenant shall re-assign and return the originals of any such warranties and/or guaranties that are unexpired to the Landlord.

10.13 **Mechanics' Liens.** Landlord shall keep the Expansion Premises free from all recorded liens of any subcontractors, laborers and materialmen associated with Landlord's Expansion Premises Work. In the event any such lien shall be filed and recorded, Landlord shall promptly take all steps necessary to release and bond such lien in the manner required by law in the State of Colorado. Provided that Tenant is not in default under the Lease, Landlord shall indemnify, defend and save harmless Tenant from and against any loss, liability, damage, cost or expense, including attorney's fees, to the extent arising from liens or claims of lien for work done and/or materials furnished by subcontractors, laborers and/or materialmen performing any of Landlord's Expansion Premises Work.

10.14 **Connector Corridor.** Notwithstanding anything herein to the contrary, in the event that Landlord is unable to construct that portion of Landlord's Expansion Premises Work consisting of the Connector Corridor due to (i) Landlord's inability to

obtain the necessary approvals and/or consents of any government body, association, or any other authority having jurisdiction with respect to such Connector Corridor or any other portion or portions of Landlord's Expansion Premises Work as a result thereof, or (ii) the failure or refusal of the holders of any easement or other rights of record impacting such Connector Corridor or the underlying land to grant consent or approvals with respect thereto, such inability shall in no event be deemed a breach or default by Landlord of its obligations hereunder. In such event, any cost savings realized by Landlord as a result of not constructing such Connector Corridor shall be added to the ELI Allowance otherwise available hereunder. In the event that Landlord is required to incur any costs or expenses in order to provide for the issuance of any such consents or approvals by the holders of any easement or other rights of record impacting such Connector Corridor or the underlying land, or for the relocation of any utilities or installations located therein, and such costs or expenses are not otherwise included as part of the budget for the Total Core & Shell Costs in *Exhibit G* attached hereto, Tenant shall be solely responsible for such costs and expenses and shall either (i) have such amount deducted from the ELI Allowance or (ii) pay the same to Landlord within twenty (20) days after receipt of Landlord's invoice therefor; provided, however, Landlord shall provide Tenant with reasonable prior written notice detailing such additional costs for Tenant's approval, which approval shall not be unreasonably withheld, conditioned, or delayed. In the event that Tenant disapproves such additional costs, Landlord shall not be obligated to construct the Connector Corridor hereunder.

11. **Exhibits.** All exhibits shall be incorporated into this Fourth Amendment by reference.

12. **Indemnification.** Tenant shall indemnify and hold harmless Landlord from and against any liability, loss, expense or attorneys' fees and expenses arising from Tenant's failure to pay amounts owed in accordance with the terms of this Fourth Amendment and/or any action by Landlord to enforce this Fourth Amendment. Landlord shall indemnify and hold harmless Tenant from and against any liability, loss, expense or attorneys' fees and expenses arising from Landlord's failure to pay amounts owed in accordance with the terms of this Fourth Amendment and/or any action by Tenant to enforce this Fourth Amendment.

13. **No Offer.** Landlord has delivered a copy of this Fourth Amendment to Tenant for Tenant's review only, and the delivery hereof does not constitute an offer to Tenant or an option. This Fourth Amendment shall not be effective until an original of this Fourth Amendment executed by both Landlord and Tenant and an original Guaranty, executed by Guarantor, is delivered to and accepted by Landlord.

14. **Waiver.** Waiver by Landlord or Tenant of any breach of any term or condition hereof shall not be deemed a waiver of any subsequent breach of the same or any other term or condition hereof or of the Lease.

15. **Notices.** Notices hereunder shall be given in the manner set forth in the Lease.

16. **Headings and Titles.** The marginal or topical headings of the several sections are for convenience only and do not define, limit or construe the contents of such section.

17. **Existing Lease.** Except as provided herein, Landlord and Tenant confirm and ratify in all respects, the terms and conditions of the Lease, which shall remain in full force and effect. Capitalized terms not defined in this Fourth Amendment shall have the meaning ascribed to them under the Lease. In the event that any term(s) or provision(s) of this Fourth Amendment conflict with the terms and provisions of the Lease, the terms and provisions of this Fourth Amendment shall govern and control.

For the avoidance of doubt, Tenant's and Landlord's respective obligations for repairs and maintenance under Section 8 of the Original Lease shall be applicable to the Entire Premises in accordance with their terms.

18. **Miscellaneous.** Landlord and Tenant each acknowledge that this Fourth Amendment is contingent upon the approval of an Official Development Plan by the City of Westminster, Colorado (the "**City of Westminster**") with respect to the Expansion Site and Landlord's Expansion Premises Work. If Landlord, using commercially reasonable efforts and in consultation with Tenant, is unable to obtain approval of an Official Development Plan substantially similar in form and substance to the Preliminary Drawings attached hereto from the City of Westminster, then either Landlord or Tenant may cancel this Fourth Amendment upon written notice to the other party hereto, in which case Landlord and Tenant shall honor their respective obligations set forth in the Indemnification Letter, and thereafter, Landlord's and Tenant's respective obligations to the other under the Lease shall be as set forth previously between the parties as though this Fourth Amendment never existed.

It is expressly acknowledged by the parties hereto that Landlord's failure to acquire (or election not to acquire) the Expansion Site by reason of not having received approval of an Official Development Plan by the City of Westminster shall not be construed as act of negligence or willful misconduct by Landlord under Section 9 of this Fourth Amendment. Notwithstanding the foregoing, in the event that the City of Westminster has not yet approved the Official Development Plan on the Acquisition Deadline, then the Acquisition Deadline shall be automatically extended to the date on which the Official Development Plan is approved by the City of Westminster.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the Effective Date first above written.

LANDLORD:

Westminster Westminster LLC,
a Colorado limited liability company

By: Westminster Fund VII LP
Its: Member

By: Westminster Advisors VII LLC
Its: General Partner

By: /s/ Kristi L. Sherin
Name: Kristi L. Sherin
Title: Authorized Agent

TENANT:

Comenity Servicing LLC
a Texas limited liability company

By: /s/ Sallie Komitor
Name: Sallie Komitor
Title: President

WORLD FINANCIAL CAPITAL MASTER NOTE TRUST

Issuer

And

DEUTSCHE BANK TRUST COMPANY AMERICAS

Indenture Trustee

**FOURTH AMENDED AND RESTATED
SERIES 2009-VFN INDENTURE SUPPLEMENT**

Dated as of December 1, 2015

FOURTH AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT, dated as of December 1, 2015 (the "Indenture Supplement"), between WORLD FINANCIAL CAPITAL MASTER NOTE TRUST, a trust organized and existing under the laws of the State of Delaware (herein, the "Issuer" or the "Trust"), and DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York banking corporation, not in its individual capacity, but solely as indenture trustee (herein, together with its successors in the trusts thereunder as provided in the Indenture referred to below, the "Indenture Trustee") under the Master Indenture, dated as of September 29, 2008 (the "Indenture"), between the Issuer and the Indenture Trustee (the Indenture, together with this Indenture Supplement, the "Agreement").

WHEREAS, the parties hereto are party to the Third Amended and Restated Series 2009-VFN Indenture Supplement, dated as of May 24, 2013 (the "Existing Indenture Supplement").

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the Existing Indenture Supplement is hereby amended and restated in its entirety as follows and each party agrees as follows for the benefit of the other party and the Series 2009-VFN Noteholders:

The Principal Terms of this Series, issued pursuant to Section 2.11 of the Indenture, are set forth in this Indenture Supplement to the Indenture.

ARTICLE I.

Creation of the Series 2009-VFN Notes

Section 1.1 Designation.

(a) Pursuant to the Indenture and the Existing Indenture Supplement a Series of Notes was issued known as "World Financial Capital Master Note Trust, Series 2009-VFN" or the "Series 2009-VFN Notes." The Series 2009-VFN Notes were issued in four Classes, known as the "Class A Series 2009-VFN Floating Rate Asset Backed Notes," the "Class M Series 2009-VFN Asset Backed Notes," the "Class B Series 2009-VFN Asset Backed Notes" and the "Class C Series 2009-VFN Asset Backed Notes." The Series 2009-VFN Notes shall be Variable Interests.

(b) The Class A Notes may from time to time be divided into separate ownership tranches (each a "Class A Ownership Tranche") which shall be identical in all respects, except for their respective Class A Maximum Principal Balances, Class A Principal Balances and certain matters relating to the rate and payment of interest. The initial allocation of Class A Notes among Class A Ownership Tranches shall be made, and reallocations among such Class A Ownership Tranches or new Class A Ownership Tranches may be made, as provided in Section 4.1 of this Indenture Supplement and the Class A Note Purchase Agreement.

(c) On the Amendment Date, all existing Class M Noteholders delivered the Class M Series 2009-VFN Asset Backed Notes issued pursuant to the Existing Indenture Supplement to the Indenture Trustee for final payment and cancellation in accordance with the Class M Termination and Consent Agreement, dated as of the Amendment Date, among the Issuer, the Indenture Trustee, World Financial Capital Credit Company, LLC, as transferor, and the existing Class M Noteholders. The Issuer shall execute and deliver a new Class M Note (R-17) in a maximum principal amount equal to the Class M Maximum Principal Balance to World Financial Capital Credit Company, LLC pursuant to the Class M Note Purchase Agreement.

(d) Series 2009-VFN shall be included in Group One and shall be a Principal Sharing Series. Series 2009-VFN shall be an Excess Allocation Series with respect to Group One only. Series 2009-VFN shall not be subordinated to any other Series.

ARTICLE II.

Definitions

Section 2.1 Definitions.

(a) Whenever used in this Indenture Supplement, the following words and phrases shall have the following meanings, and the definitions of such terms are applicable to the singular as well as the plural forms of such terms and the masculine as well as the feminine and neuter genders of such terms.

"Aggregate Investor Default Amount" means, as to any Monthly Period, the sum of the Investor Default Amounts in respect of such Monthly Period.

"Allocation Percentage" means, with respect to any Monthly Period, the percentage equivalent of a fraction:

(a) the numerator of which shall be equal to:

(i) for Principal Collections during the Revolving Period and for Finance Charge Collections and Default Amounts at any time, the Collateral Amount at the end of the last day of the prior Monthly Period (or, in the case of the Monthly Period in which the Closing Date occurs, on the Closing Date), less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated; provided, however, that with respect to any Monthly Period in which a Reset Date occurs as a result of a Class A Incremental Funding, Class M Incremental Funding, Class B Incremental Funding, Class C Incremental Funding or the issuance of a new Series, the numerator determined pursuant to this clause (i) shall be (A) the Collateral Amount as of the close of business on the later of the last day of the prior Monthly Period or the preceding Reset Date, in each case less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated (to the extent not already subtracted in determining the Collateral Amount), for the period from and including the first day of the current Monthly Period or the preceding Reset Date, as applicable, to but excluding such Reset Date and (B) the Collateral Amount as of the close of business on such Reset Date, less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated (to the extent not already subtracted in determining the Collateral Amount), for the period from and including such Reset Date to the earlier of the last day of such Monthly Period (in which case such period shall include such day) or the next succeeding Reset Date (in which case such period shall not include such succeeding Reset Date); or

(ii) for Principal Collections during the Early Amortization Period and the Controlled Amortization Period, the Collateral Amount at the end of the last day of the Revolving Period, provided, however, that the Transferor may, by written notice to the Indenture Trustee, the Servicer and the Rating Agencies, reduce the numerator used for purposes of allocating Principal Collections to Series 2009-VFN at any time if (x) the Rating Agency Condition shall have been satisfied with respect to such reduction and (y) the Transferor shall have delivered to the Indenture Trustee an Officer's Certificate to the effect, based on the facts known to such officer at that time, in the reasonable belief of the Transferor, such designation will not cause a Series 2009-VFN Early Amortization Event or an event that, after the giving of notice or the lapse of time, would cause a Series 2009-VFN Early Amortization Event to occur with respect to Series 2009-VFN; and

(b) the denominator of which shall be the greater of (x) the Aggregate Principal Receivables determined as of the close of business on the last day of the prior Monthly Period and (y) the sum of the numerators used to calculate the allocation percentages for allocations with respect to Finance Charge Collections, Principal Collections or Default Amounts, as applicable, for all outstanding Series on such date of determination provided, that if one or more Reset Dates occur in a Monthly Period, the Allocation Percentage for the portion of the Monthly Period falling on and after such Reset Date and prior to any subsequent Reset Date will be recalculated for such period as of the close of business on the subject Reset Date.

"Amendment Date" means December 1, 2015.

"Available Cash Collateral Amount" means with respect to any Transfer Date, an amount equal to the lesser of (a) the amount on deposit in the Cash Collateral Account (before giving effect to any deposit to, or withdrawal from, the Cash Collateral Account made or to be made with respect to such date) and (b) the Required Cash Collateral Amount for such Transfer Date.

"Available Finance Charge Collections" means, for any Monthly Period, an amount equal to the sum of (a) the Investor Finance Charge Collections for such Monthly Period, plus (b) the Excess Finance Charge Collections allocated to Series 2009-VFN for such Monthly Period, plus (c) interest and earnings on funds on deposit in the Cash Collateral Account which will be deposited into the Finance Charge Account on the related Transfer Date to be treated as Available Finance Charge Collections pursuant to subsection 5.10(b).

"Available Principal Collections" means, for any Monthly Period, an amount equal to the sum of (a) the Investor Principal Collections for such Monthly Period, minus (b) the amount of Reallocated Principal Collections with respect to such Monthly Period which pursuant to Section 5.6 are required to be applied on the related Distribution Date, plus (c) any Shared Principal Collections with respect to other Principal Sharing Series (including any amounts on deposit in the Excess Funding Account that are allocated to Series 2009-VFN for application as Shared Principal Collections), plus (d) the aggregate amount to be treated as Available Principal Collections pursuant to clauses 5.4(a)(viii) and (ix) for the related Distribution Date.

"**Bankrupt Merchant**" means any Merchant which fails generally to, or admits in writing its inability to, pay its debts as they become due; or any Merchant for which a proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of such Merchant in an involuntary case under any Debtor Relief Law, or for the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceedings shall continue undismissed or unstayed and in effect for a period of 60 consecutive days or any of the actions sought in such proceeding shall occur; or any Merchant that commences a voluntary case under any Debtor Relief Law, or such Merchant's consent to the entry of an order for relief in an involuntary case under any Debtor Relief Law, or consent to the appointment of a taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official for any substantial part of its property, or any general assignment for the benefit of creditors; or any Merchant or any Affiliate of such Merchant shall have taken any corporate action in furtherance of any of the foregoing actions with respect to such Merchant; provided, however, that a Merchant for which a Chapter 11 Plan is confirmed under a Debtor Relief Law shall no longer be a Bankrupt Merchant upon the occurrence of the Effective Date of such Chapter 11 Plan. For purposes of this definition, a Chapter 11 Plan shall exclude a Chapter 11 Plan under which the Bankrupt Merchant liquidates all of its assets and discontinues operations.

"**Base Rate**" means, as to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is equal to the sum of the Monthly Interest, any Class A Non-Use Fees payable pursuant to clause 5.4(a)(ii) and any Class A Additional Amounts payable pursuant to clauses 5.4(a)(i) through (vii) each for the related Distribution Period, any Class M Additional Interest, any Class B Additional Interest, any Class C Additional Interest and the Noteholder Servicing Fee with respect to such Monthly Period, and the denominator of which is the Weighted Average Collateral Amount during such Monthly Period.

"**Cash Collateral Account**" is defined in subsection 5.10(a).

"**Change in Control**" means the failure of Holding to own, directly or indirectly, 100% of the outstanding shares of common stock (excluding directors' qualifying shares) of Comenity Capital Bank.

"**Chapter 11 Plan**" means a plan proposed by a Bankrupt Merchant under and in conformance with the provisions of Chapter 11 of Title 11 of the United States Code for restructuring or reorganizing the business of the Bankrupt Merchant.

"**Class A Additional Amounts**" means Additional Amounts (as defined in the Class A Note Purchase Agreement) payable to the Class A Noteholders pursuant to the Class A Note Purchase Agreement.

"Class A Administrative Agents" means the "Administrative Agents" as defined in the Class A Note Purchase Agreement.

"Class A Breakage Payment" is defined in subsection 5.2(e).

"Class A Funding Tranche" is defined in subsection 5.2(a).

"Class A Incremental Funding" means any increase in the Class A Principal Balance during the Revolving Period made pursuant to the Class A Note Purchase Agreement and Section 4.1(a) hereof.

"Class A Incremental Principal Balance" means the amount of the increase in the Class A Principal Balance occurring as a result of any Class A Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class A Noteholders pursuant to the Class A Note Purchase Agreement with respect to such Class A Incremental Funding.

"Class A Maximum Principal Balance" means the "Maximum Class A Principal Balance" (as defined in the Class A Note Purchase Agreement), as such amount may be increased or decreased from time to time pursuant to the Class A Note Purchase Agreement. As applied to any particular Class A Note, the "Class A Maximum Principal Balance" means the portion of the overall Class A Maximum Principal Balance represented by that Class A Note.

"Class A Monthly Interest" is defined in subsection 5.2(a).

"Class A Monthly Principal" is defined in subsection 5.3(a).

"Class A Non-Use Fee" means the Class A Non-Use Fee defined in the Class A Note Purchase Agreement.

"Class A Note Purchase Agreement" means the Fourth Amended and Restated Note Purchase Agreement, dated as of December 1, 2015, among Transferor, the Issuer, the Servicer and the initial Class A Noteholders, as supplemented by the various Fee Letters referred to (and defined) therein, and as the same may be amended or otherwise modified from time to time. The Class A Note Purchase Agreement is hereby designated a "Transaction Document" for all purposes of the Agreement and this Indenture Supplement.

"Class A Noteholder" means the Person in whose name a Class A Note is registered in the Note Register.

"Class A Notes" means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-1.

"Class A Ownership Group" means the "Ownership Group" defined in the Class A Note Purchase Agreement.

"Class A Ownership Group Percentage" means the "Ownership Group Percentage" defined in the Class A Note Purchase Agreement.

"Class A Ownership Tranche" is defined in subsection 1.1(b).

"Class A Principal Balance" means, on any Business Day, an amount equal to the result of (a) \$390,000,000.00, plus (b) the aggregate amount of all Class A Incremental Principal Balances for all Class A Incremental Fundings occurring after the Amendment Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class A Noteholders after the Amendment Date and on or prior to such Business Day. As applied to any particular Class A Note, the "Class A Principal Balance" means the portion of the overall Class A Principal Balance represented by that Class A Note. The Class A Principal Balance shall be allocated among the Class A Ownership Tranches as provided in the Class A Note Purchase Agreement.

"Class A Pro Rata Percentage" means .

"Class A Purchase Limit" means the "Purchase Limit" defined in the Class A Note Purchase Agreement.

"Class A Required Amount" means, for any Distribution Date, an amount equal to the excess of the amounts described in clauses 5.4(a)(i), (ii) and (iii) over the sum of (a) Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a) and (b) any amount withdrawn from the Cash Collateral Account and applied to pay such amount pursuant to subsection 5.10(c).

"Class A Scheduled Final Payment Date" means the Distribution Date falling in the twelfth month following the month in which the Controlled Amortization Period begins.

"Class A Tranche Rate" means, for any Distribution Period, the Class A Note Rate (as defined in the Class A Note Purchase Agreement) for each Class A Ownership Tranche (or any related Class A Funding Tranche).

"Class B Additional Interest" is defined in subsection 5.2(c).

"Class B Deficiency Amount" is defined in subsection 5.2(c).

"Class B Incremental Funding" means any increase in the Class B Principal Balance during the Revolving Period made pursuant to the applicable Class B Note Purchase Agreement.

"Class B Incremental Principal Balance" means the amount of the increase in the Class B Principal Balance occurring as a result of any Class B Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class B Noteholders pursuant to the Class B Note Purchase Agreement with respect to such Class B Incremental Funding.

"Class B Maximum Principal Balance" means the "Maximum Class B Principal Balance" (as defined in the Class B Note Purchase Agreement), as such amount may be increased or decreased from time to time pursuant to the Class B Note Purchase Agreement. As applied to any particular Class B Note, the "Class B Maximum Principal Balance" means the portion of the overall Class B Maximum Principal Balance represented by that Class B Note.

"Class B Monthly Interest" is defined in subsection 5.2(c).

"Class B Monthly Principal" is defined in subsection 5.3(c).

"Class B Note Interest Rate" means 0.0%.

"Class B Note Purchase Agreement" means the Second Amended and Restated Note Purchase Agreement, dated as of May 24, 2013, entered into among Comenity Capital Bank, the Transferor and each party that purchases Class B Notes from the Transferor.

"Class B Noteholder" means the Person in whose name a Class B Note is registered in the Note Register.

"Class B Notes" means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-3.

"Class B Principal Balance" means, on any Business Day, an amount equal to the result of (a) \$61,285,714.29, plus (b) the aggregate amount of all Class B Incremental Principal Balances for all Class B Incremental Fundings occurring after the Amendment Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class B Noteholders after the Amendment Date and on or prior to such date. As applied to any particular Class B Note, the "Class B Principal Balance" means the portion of the overall Principal Balance represented by that Class B Note.

"Class B Pro Rata Percentage" means .

"Class B Required Amount" means, for any Distribution Date, an amount equal to the excess of the amount described in clause 5.4(a)(vi) over the sum of (a) Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a) and (b) any amount withdrawn from the Cash Collateral Account and applied to pay such amount pursuant to subsection 5.10(c).

"Class C Additional Interest" is defined in subsection 5.2(d).

"Class C Deficiency Amount" is defined in subsection 5.2(d).

"Class C Incremental Funding" means any increase in the Class C Principal Balance during the Revolving Period made pursuant to the Class C Note Purchase Agreement.

"Class C Incremental Principal Balance" means the amount of the increase in the Class C Principal Balance occurring as a result of any Class C Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class C Noteholders pursuant to the Class C Note Purchase Agreement with respect to such Class C Incremental Funding.

"Class C Maximum Principal Balance" means the "Maximum Class C Principal Balance" (as defined in the Class C Note Purchase Agreement), as such amount may be increased or decreased from time to time pursuant to the Class C Note Purchase Agreement. As applied to any particular Class C Note, the "Class C Maximum Principal Balance" means the portion of the overall Maximum Principal Balance represented by that Class C Note.

"Class C Monthly Interest" is defined in subsection 5.2(d).

"Class C Monthly Principal" is defined in subsection 5.3(d).

"Class C Note Interest Rate" means 0.0%.

"Class C Note Purchase Agreement" means the Second Amended and Restated Note Purchase Agreement, dated as of May 24, 2013, entered into among Comenity Capital Bank, the Transferor and each party that purchases Class C Notes from the Transferor.

"Class C Noteholder" means the Person in whose name a Class C Note is registered in the Note Register.

"Class C Notes" means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-4.

"Class C Principal Balance" means, on any Business Day, an amount equal to the result of (a) \$66,857,142.86, plus (b) the aggregate amount of all Class C Incremental Principal Balances for all Class C Incremental Fundings occurring after the Amendment Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class C Noteholders after the Amendment Date and on or prior to such date. As applied to any particular Class C Note, the "Class C Principal Balance" means the portion of the overall Principal Balance represented by that Class C Note.

"Class C Pro Rata Percentage" means .

"Class M Additional Interest" is defined in subsection 5.2(b).

"Class M Deficiency Amount" is defined in subsection 5.2(b).

"Class M Incremental Funding" means any increase in the Class M Principal Balance during the Revolving Period made pursuant to the applicable Class M Note Purchase Agreement.

"Class M Incremental Principal Balance" means the amount of the increase in the Class M Principal Balance occurring as a result of any Class M Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class M Noteholders pursuant to the Class M Note Purchase Agreement with respect to such Class M Incremental Funding.

"Class M Maximum Principal Balance" means the "Maximum Class M Principal Balance" (as defined in the Class M Note Purchase Agreement), as such amount may be increased or decreased from time to time pursuant to the Class M Note Purchase Agreement. As applied to any particular Class M Note, the "Class M Maximum Principal Balance" means the portion of the overall Class M Maximum Principal Balance represented by that Class M Note.

"Class M Monthly Interest" is defined in subsection 5.2(b).

"Class M Monthly Principal" is defined in subsection 5.3(b).

"Class M Note Interest Rate" means 0.00%.

"Class M Note Purchase Agreement" means the Note Purchase Agreement, dated as of December 1, 2015 entered into among Comenity Capital Bank, the Transferor and each party that purchases Class M Notes from the Transferor.

"Class M Noteholder" means the Person in whose name a Class M Note is registered in the Note Register.

"Class M Notes" means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-2.

"Class M Principal Balance" means, on any Business Day, an amount equal to the result of (a) \$39,000,000.00, plus (b) the aggregate amount of all Class M Incremental Principal Balances for all Class M Incremental Fundings occurring after the Amendment Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class M Noteholders after the Amendment Date and on or prior to such date. As applied to any particular Class M Note, the "Class M Principal Balance" means the portion of the overall Principal Balance represented by that Class M Note.

"Class M Pro Rata Percentage" means .

"Class M Required Amount" means, for any Distribution Date, an amount equal to the excess of the amount described in clause 5.4(a)(iv), over the sum of (a) Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a) and (b) any amount withdrawn from the Cash Collateral Account and applied to pay such amount pursuant to subsection 5.10(c).

"Class M Scheduled Final Payment Date" means the Distribution Date falling in the twelfth month following the month in which the Controlled Amortization Period begins.

"Closing Date" means September 28, 2009.

"Collateral Amount" means, as of any date of determination, an amount equal to (a) the Note Principal Balance minus (b) the excess, if any, of the aggregate amount of Investor Charge-Offs and Reallocated Principal Collections over the reimbursement of such amounts pursuant to clause 5.4(a)(ix) prior to such date.

"Comenity Capital Bank" means Comenity Capital Bank, a Utah industrial bank, formerly known as World Financial Capital Bank.

"Controlled Amortization Amount" means for any Transfer Date with respect to the Controlled Amortization Period prior to the payment in full of the Note Principal Balance, an amount equal to (a) the Note Principal Balance as of the close of business on the last day of the Revolving Period divided by (b) twelve.

"Controlled Amortization Date" means the first day of the first Monthly Period that occurs on or after the Purchase Expiration Date under the Class A Note Purchase Agreement.

"Controlled Amortization Period" means, unless a Series 2009-VFN Early Amortization Event or a Trust Early Amortization Event shall have occurred prior thereto, the period commencing at the opening of business on the first Controlled Amortization Date to occur (without being extended as provided in the applicable Note Purchase Agreement) and ending on the earlier to occur of (a) the commencement of the Early Amortization Period, and (b) the Series Termination Date, provided that Transferor may, by 2 Business Days' prior written notice to the Indenture Trustee and each Series 2009-VFN Noteholder (and so long as the Early Amortization Period has not begun), cause the Controlled Amortization Period to begin on any date earlier than the one otherwise specified above.

"Controlled Amortization Shortfall" initially means zero and thereafter means, with respect to any Monthly Period during the Controlled Amortization Period, the excess, if any, of the Controlled Payment Amount for the previous Monthly Period over the sum of the amount distributed pursuant to subsection 6.2(a) with respect to the Class A Notes for the previous Monthly Period, the amount distributed pursuant to subsection 6.2(b) with respect to the Class M Notes for the previous Monthly Period, the amount distributed pursuant to subsection 6.2(c) with respect to the Class B Notes for the previous Monthly Period and the amount distributed pursuant to subsection 6.2(d) with respect to the Class C Notes for the previous Monthly Period.

"Controlled Payment Amount" means, with respect to any Transfer Date, the sum of (a) the Controlled Amortization Amount for such Transfer Date and (b) any existing Controlled Amortization Shortfall.

"Day Count Fraction" means, as to any Class A Ownership Tranche (or Class A Funding Tranche), any Class M Note, any Class B Note or any Class C Note for any Distribution Period, a fraction (a) the numerator of which is the number of days in that Distribution Period (or, if less, the number of days during that Distribution Period during which that Class A Ownership Tranche, Class A Funding Tranche, Class M Note, Class B Note or Class C Note was outstanding, including the first, but excluding the last, such day) and (b) the denominator of which is the actual number of days in the related calendar year (or, if so specified in the related Note Purchase Agreement, 360).

"Default Amount" means, as to any Defaulted Account, the amount of Principal Receivables (other than Ineligible Receivables, unless there is an Insolvency Event with respect to Comenity Capital Bank or the Transferor) in such Defaulted Account on the day it became a Defaulted Account.

"Defaulted Account" means an Account in which there are Defaulted Receivables.

"Designated LIBOR Page" means Reuters Screen LIBOR01 page or such other page as may replace such page on that service or other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates of U.S. dollar deposits.

"Designated Maturity" means, for any LIBOR Determination Date, one month.

"Dilution" means any downward adjustment made by Servicer in the amount of any Receivable (a) because of a rebate, refund or billing error to an accountholder, (b) because such Receivable was created in respect of merchandise which was refused or returned by an accountholder or (c) for any other reason other than receiving Collections therefor or charging off such amount as uncollectible.

"Distribution Account" is defined in subsection 5.9(a).

"Distribution Date" means November 16, 2009 and the 15th day of each calendar month thereafter, or if such 15th day is not a Business Day, the next succeeding Business Day.

"Distribution Period" means, for any Distribution Date, the period from and including the Distribution Date immediately preceding such Distribution Date (or, in the case of the first Distribution Date, from and including the Closing Date) to but excluding such Distribution Date.

"Early Amortization Period" means the period commencing on the date on which a Trust Early Amortization Event or a Series 2009-VFN Early Amortization Event is deemed to occur and ending on the Series Termination Date.

"Eligible Investments" is defined in Annex A to the Indenture; provided that in no event shall any Eligible Investment be an equity security or cause the Trust to have any voting rights in respect of such Eligible Investment.

"Excess Spread Percentage" means, for any Monthly Period, a percentage equal to the Portfolio Yield for such Monthly Period, minus the Base Rate for such Monthly Period.

"Finance Charge Account" is defined in Section 5.9(a).

"Finance Charge Collections" means Collections of Finance Charge Receivables.

"Finance Charge Shortfall" is defined in Section 5.7.

"Fixed Allocation Period" means either a Controlled Amortization Period or an Early Amortization Period.

"Group One" means Series 2009-VFN and each other Series specified in the related Indenture Supplement to be included in Group One.

"Investor Charge-Offs" is defined in Section 5.5.

"Investor Default Amount" means, with respect to any Defaulted Account, an amount equal to the product of (a) the Default Amount and (b) the Allocation Percentage on the day such Account became a Defaulted Account.

"Investor Finance Charge Collections" means, for any Monthly Period, an amount equal to the aggregate amount of Finance Charge Collections (including Net Recoveries treated as Finance Charge Collections) retained or deposited in the Finance Charge Account for Series 2009-VFN pursuant to clause 5.1(b)(i) for such Monthly Period.

"Investor Principal Collections" means, for any Monthly Period, an amount equal to the aggregate amount of Principal Collections retained or deposited in the Principal Account for Series 2009-VFN pursuant to clause 5.1(b)(ii) for such Monthly Period.

"Investor Uncovered Dilution Amount" means an amount equal to the product of (x) the Series Allocation Percentage for the related Monthly Period (determined on a weighted average basis, if one or more Reset Dates occur during that Monthly Period), ~~times~~ (y) the aggregate Dilutions occurring during that Monthly Period as to which any deposit is required to be made to the Excess Funding Account pursuant to subsection 3.8(a) of the Transfer and Servicing Agreement but has not been made, provided that, to the extent the Transferor Amount is greater than zero at the time the deposit referred to in clause (y) is required to be made, the Investor Uncovered Dilution Amount for such amount to be deposited shall be deemed to be zero.

"LIBOR" means, for any Distribution Period, an interest rate per annum for each Distribution Period determined by the Indenture Trustee in accordance with the provisions of Section 5.12.

"LIBOR Determination Date" means (i) September 26, 2009 for the period from and including the Closing Date through and including November 15, 2009 and (ii) the second London Business Day prior to the commencement of the second and each subsequent Distribution Period.

"London Business Day" means any day on which dealings in deposits in United States dollars are transacted in the London interbank market.

"Mandatory Limited Amortization Amount" means, for any Transfer Date with respect to the Mandatory Limited Amortization Period (beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Mandatory Limited Amortization Period begins) and the Transfer Date in the Monthly Period in which the Controlled Amortization Period commences (unless the Non-Renewing Purchaser Class A Principal Balance shall have been reduced to zero prior to such date), the lesser of (a) the Non-Renewing Purchaser Class A Principal Balance as of the Mandatory Limited Amortization Date, divided by 12 (with the quotient rounded up to the nearest dollar) and (b) the excess of the Non-Renewing Purchaser Class A Principal Balance over the Mandatory Limited Amortization Target.

"Mandatory Limited Amortization Date" means, the Purchase Expiration Date (without giving effect to a requested extension) but only if all of the following have occurred: (x) the Transferor has requested an extension of such Purchase Expiration Date, (y) there are one or more Non-Renewing Ownership Groups and (z) the Issuer has not repaid the outstanding Non-Renewing Purchaser Class A Principal Balance on or prior to the related Purchase Expiration Date (without giving effect to the requested extension).

"Mandatory Limited Amortization Period" means the period commencing on the first day of the first Monthly Period that commences on or after the Mandatory Limited Amortization Date and ending the earliest to occur of (x) the payment in full of the Non-Renewing Purchaser Class A Principal Balance, (y) the commencement of the Controlled Amortization Period or the Early Amortization Period and (z) the Series Termination Date.

"Mandatory Limited Amortization Shortfall" means, with respect to any Payment Date, the excess, if any, of (a) the Mandatory Limited Payment Amount for the preceding Payment Date over (b) the amounts paid pursuant to Section 5.4(b) with respect to Class A Monthly Principal and Class B Monthly Principal.

"Mandatory Limited Amortization Target" means, with respect to any Transfer Date, (a) the Non-Renewing Purchaser Class A Principal Balance as of the Mandatory Limited Amortization Date less (b) the product (rounded up to the nearest dollar) of (i) a fraction, the numerator of which is the number of full Monthly Periods that have elapsed during the Mandatory Limited Amortization Period as of such Transfer Date (which, for the avoidance of doubt, shall exclude the Monthly Period in which such Transfer Date falls), and the denominator of which is 12 and (ii) the Non-Renewing Purchaser Class A Principal Balance as of the Mandatory Limited Amortization Date.

"Mandatory Limited Payment Amount" means, with respect to any Transfer Date with respect to the Mandatory Limited Amortization Period, beginning with the Payment Date in the Monthly Period immediately following the Monthly Period in which the Mandatory Limited Amortization Period begins, and the Transfer Date in the Monthly Period in which the Controlled Amortization Period commences (unless the Non-Renewing Purchaser Class A Principal Balance shall have been reduced to zero prior to such date), the sum of (a) the Mandatory Limited Amortization Amount for such Payment Date, plus (b) any existing Mandatory Limited Amortization Shortfall.

"Maximum Principal Balance" means the sum of (a) the Class A Maximum Principal Balance, (b) the Class M Maximum Principal Balance, (c) the Class B Maximum Principal Balance and (d) the Class C Maximum Principal Balance.

"Monthly Interest" means, for any Distribution Date, the sum of the Class A Monthly Interest, the Class M Monthly Interest, the Class B Monthly Interest and the Class C Monthly Interest for such Distribution Date.

"Monthly Period" means the period from and including the first day of the calendar month preceding a related Distribution Date to and including the last day of such calendar month; provided that the Monthly Period related to the November 2009 Distribution Date shall mean the period from and including the Closing Date to and including the last day of October 2009.

"Monthly Principal" means, on any Distribution Date, the sum of the Class A Monthly Principal, the Class M Monthly Principal, the Class B Monthly Principal and the Class C Monthly Principal with respect to such date.

"Monthly Principal Reallocation Amount" means, for any Monthly Period, an amount equal to the sum of:

(a) the lesser of (i) the Class A Required Amount and (ii) the greater of (A)(x) the sum of the Class M Principal Balance, the Class B Principal Balance and the Class C Principal Balance minus (y) the sum of (I) the amount of unreimbursed Investor Charge-Offs (after giving effect to Investor Charge-Offs for the related Monthly Period) and (II) unreimbursed Reallocated Principal Collections (as of the previous Distribution Date) and (B) zero; and

(b) the lesser of (i) the Class M Required Amount and (ii) the greater of (A)(x) the sum of the Class B Principal Balance and the Class C Principal Balance minus (y) the sum of (I) the amount of unreimbursed Investor Charge-Offs (after giving effect to Investor Charge-Offs for the related Monthly Period) and (II) unreimbursed Reallocated Principal Collections (as of the previous Distribution Date and as required in clause (a) above for the current Monthly Period) and (B) zero; and

(c) the lesser of (i) the Class B Required Amount and (ii) the greater of (A)(x) the Class C Principal Balance minus (y) the sum of (I) the amount of unreimbursed Investor Charge-Offs (after giving effect to Investor Charge-Offs for the related Monthly Period) and (II) unreimbursed Reallocated Principal Collections (as of the previous Distribution Date and as required in clauses (a) and (b) above for the current Monthly Period) and (B) zero.

"Non-Renewing Ownership Group" means, commencing on the related Mandatory Limited Amortization Date, any Class A Ownership Group that has not consented to the extension of the Purchase Expiration Date when requested as described in the Class A Note Purchase Agreement.

"Non-Renewing Purchaser Class A Principal Balance" means the outstanding principal balance of the Class A Notes allocated to Non-Renewing Ownership Groups.

"Non-Renewing Purchaser Scheduled Distribution Date" means the Distribution Date falling in the twelfth month following the month in which the Mandatory Limited Amortization Period begins.

"Note Principal Balance" means, as of any Business Day, the sum of (a) the Class A Principal Balance, (b) the Class M Principal Balance, (c) the Class B Principal Balance and (d) the Class C Principal Balance.

"Note Purchase Agreements" means the Class A Note Purchase Agreement, the Class M Note Purchase Agreement, the Class B Note Purchase Agreement and the Class C Note Purchase Agreement.

"Noteholder Servicing Fee" is defined in Section 3.1.

"Optional Amortization Amount" is defined in subsection 4.1(b).

"Optional Amortization Date" is defined in subsection 4.1(b).

"Optional Amortization Notice" is defined in subsection 4.1(b).

"Percentage Allocation" is defined in subsection 5.1(b)(ii)(y).

"Portfolio Yield" means, for any Monthly Period, the annualized percentage equivalent of a fraction, (a) the numerator of which is equal to (i) the Available Finance Charge Collections (excluding any Excess Finance Charge Collections), minus (ii) the Aggregate Investor Default Amount and the Investor Uncovered Dilution Amount for such Monthly Period and (b) the denominator of which is the Weighted Average Collateral Amount during such Monthly Period.

"Principal Account" is defined in subsection 5.9(a).

"Principal Collections" means Collections of Principal Receivables.

"Principal Shortfall" is defined in Section 5.8.

"Purchase Expiration Date" has the meaning specified in the Class A Note Purchase Agreement.

"Purchaser" means a "Purchaser" as defined in the Class A Note Purchase Agreement.

"Quarterly Excess Spread Percentage" means (a) with respect to the November 2009 Distribution Date, the Excess Spread Percentage for such Distribution Date, (b) with respect to the December 2009 Distribution Date, the percentage equivalent of a fraction the numerator of which is the sum of (i) the Excess Spread Percentage for the November 2009 Distribution Date and (ii) the Excess Spread Percentage with respect to the December 2009 Distribution Date and the denominator of which is two, (c) with respect to the January 2010 Distribution Date, the percentage equivalent of a fraction the numerator of which is the sum of (i) the Excess Spread Percentage for the November 2009 Distribution Date (ii) the Excess Spread Percentage with respect to the December 2009 Distribution Date and (iii) the Excess Spread Percentage with respect to the January 2010 Distribution Date and the denominator of which is three and (d) with respect to the February 2010 Distribution Date and each Distribution Date thereafter, the percentage equivalent of a fraction the numerator of which is the sum of the Excess Spread Percentages determined with respect to such Distribution Date and the immediately preceding two Distribution Dates and the denominator of which is three.

"Quarterly Payment Rate Percentage" means, with respect to any Distribution Date, the percentage equivalent of a fraction, the numerator of which is the sum of the Payment Rate Percentages determined with respect to such Distribution Date and the immediately preceding two Distribution Dates, and the denominator of which is three. For purposes of the foregoing calculation, the "Payment Rate Percentage" for any Distribution Date shall equal the percentage equivalent of a fraction, the numerator which is the aggregate Collections received during the immediately preceding Monthly Period, and the denominator of which is the total Principal Receivables held by the Trust as of the opening of business on the first day of such immediately preceding Monthly Period.

"Rating Agency" means, with respect to the Class A Notes, the Class M Notes and the Class B Notes, Fitch.

"Rating Agency Condition" means, with respect to Series 2009-VFN and any action subject to such condition, (i) if any Class of Series 2009-VFN Notes is rated by a Rating Agency designated for such Class other than Fitch, the notification in writing by each Rating Agency (other than Fitch) to Servicer that such action will not result in the Rating Agency reducing or withdrawing its then existing rating of such Class of Series 2009-VFN Notes, (ii) if Fitch is a Rating Agency for any Class of Series 2009-VFN Notes, 10 days' prior written notice (or, if 10 days' advance notice is impracticable, as much advance notice as is practicable) to Fitch delivered electronically to notifications.abs@fitchratings.com and (iii) if there are no Rating Agencies designated for any Class of Series 2009-VFN Notes, the consent of the holders of Series 2009-VFN Notes holding 66 2/3% of the Note Principal Balance of the Series 2009-VFN Notes which are not rated by a Rating Agency.

"Reallocated Principal Collections" means, for any Transfer Date, Investor Principal Collections applied in accordance with Section 5.6 in an amount not to exceed the Monthly Principal Reallocation Amount for the related Monthly Period.

"Reassignment Amount" means, for any Transfer Date, after giving effect to any deposits and distributions otherwise to be made on the related Distribution Date, the sum of (i) the Note Principal Balance on the related Distribution Date, plus (ii) Monthly Interest for the related Distribution Date and any Monthly Interest previously due but not distributed to the Series 2009-VFN Noteholders, plus (iii) the amount of Class M Additional Interest, if any, for the related Distribution Date and any Class M Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (iv) the amount of Class B Additional Interest, if any, for the related Distribution Date and any Class B Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (v) the amount of Class C Additional Interest, if any, for the related Distribution Date and any Class C Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (vi) the amount of Class A Non-Use Fees, if any, for the related Distribution Date and any Class A Non-Use Fees previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (vii) the amount of Class A Additional Amounts, if any, for the related Distribution Date and any Class A Additional Amounts previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date.

"Record Date" means, for purposes of Series 2009-VFN with respect to any Distribution Date or Optional Amortization Date, the date falling five Business Days prior to such date.

"Reference Banks" means four major banks in the London interbank market selected by the Servicer.

"Refinancing Date" is defined in subsection 4.1(c).

"Required Cash Collateral Amount" means, as of any Determination Date, an amount equal to the excess of (i) the total Principal Receivables outstanding relating to Bankrupt Merchants as of the end of the related Monthly Period over (ii) the product of (A) 20.0% and (B) the total Principal Receivables as of the end of the related Monthly Period.

"Required Cash Collateral Amount Trigger Date" means the date on which the Required Cash Collateral Amount shall first become an amount greater than zero.

"Required Class B Principal Balance" means, as of any date of determination, the product of the Class B Pro Rata Percentage times the Note Principal Balance.

"Required Class C Principal Balance" means, as of any date of determination, the product of the Class C Pro Rata Percentage times the Note Principal Balance.

"Required Class M Principal Balance" means, as of any date of determination, the product of the Class M Pro Rata Percentage times the Note Principal Balance.

"Required Draw Amount" is defined in subsection 5.10(c).

"Required Retained Transferor Percentage" means, for purposes of Series 2009-VFN, 8.0%.

"Reset Date" means:

- (a) each Addition Date relating to Supplemental Accounts;
- (b) each Removal Date on which, if any Series of Notes has been paid in full, Principal Receivables equal to the initial Collateral Amount or initial principal balance for that Series are removed from the Issuer;
- (c) each date on which there is an increase in the outstanding balance of any Variable Interest; and
- (d) each date on which a new Series or Class of Notes is issued.

"Revolving Period" means the period from and including the Closing Date to, but not including, the earlier of (a) the day the Controlled Amortization Period commences and (b) the day the Early Amortization Period commences. For the avoidance of doubt, the Revolving Period shall not terminate upon the commencement of a Mandatory Limited Amortization Period; provided that for purposes of Section 8.5 of the Master Indenture, the Mandatory Limited Amortization Period shall be deemed to be an Amortization Period.

"Series 2009-VFN" means the Series of Notes the terms of which are specified in this Indenture Supplement.

"Series 2009-VFN Early Amortization Event" is defined in Section 7.1.

"Series 2009-VFN Note" means a Class A Note, a Class M Note, a Class B Note or a Class C Note.

"Series 2009-VFN Noteholder" means a Class A Noteholder, a Class M Noteholder, a Class B Noteholder or a Class C Noteholder.

"Series Account" means, (a) with respect to Series 2009-VFN, the Finance Charge Account, the Principal Account, the Distribution Account and the Cash Collateral Account, and (b) with respect to any other Series, the "Series Accounts" for such Series as specified in the Indenture and the applicable Indenture Supplement for such Series.

"Series Allocation Percentage" means, with respect to any Monthly Period, the percentage equivalent of a fraction, the numerator of which is the Allocation Percentage for Finance Charge Collections for that Monthly Period and the denominator of which is the sum of the Allocation Percentage for Finance Charge Receivables for all outstanding Series on such date of determination; provided that if one or more Reset Dates occur in a Monthly Period, the Series Allocation Percentages for the portion of the Monthly Period falling on and after each such Reset Date and prior to any subsequent Reset Date will be determined using a denominator which is equal to the sum of the numerators used in determining the Allocation Percentage for Finance Charge Receivables for all outstanding Series as of the close of business on the subject Reset Date.

"Series Servicing Fee Percentage" means 2.0% per annum.

"Series Termination Date" means the earliest to occur of (a) the Distribution Date falling in a Fixed Allocation Period on which the Collateral Amount is paid in full, (b) the termination of the Trust pursuant to the Agreement, (c) the Distribution Date on or closest to the date falling 46 months after the commencement of the Early Amortization Period and (d) the Distribution Date on or closest to the date falling 58 months after the commencement of the Controlled Amortization Period.

"Specified Transferor Amount" means, as of any date of determination, the Minimum Transferor Amount as of such date of determination.

"Target Amount" is defined in clause 5.1(b)(i).

"Transfer" means any sale, transfer, assignment, exchange, participation, pledge, hypothecation, rehypothecation, or other grant of a security interest in or disposition of, a Note.

"Weighted Average Class A Principal Balance" means, as to any Class A Ownership Tranche (or Class A Funding Tranche) for any Distribution Period, the quotient of (a) the summation of the portion of the Class A Principal Balance allocated to that Class A Ownership Tranche (or Class A Funding Tranche) determined as of each day in that Distribution Period, divided by (b) the number of days in that Distribution Period (or, if less, the number of days during that Distribution Period during which that Class A Ownership Tranche or Class A Funding Tranche was outstanding).

"Weighted Average Collateral Amount" means, for any Monthly Period, the quotient of (a) the summation of the Collateral Amount determined as of each day in that Monthly Period, divided by (b) the number of days in that Monthly Period.

(b) Each capitalized term defined herein shall relate to the Series 2009-VFN Notes and no other Series of Notes issued by the Trust, unless the context otherwise requires. All capitalized terms used herein and not otherwise defined herein have the meanings ascribed to them in Annex A to the Indenture, or, if not defined therein, in the Class A Note Purchase Agreement.

(c) The interpretive rules specified in Section 1.2 of the Indenture also apply to this Indenture Supplement. If any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Indenture Supplement shall be controlling.

ARTICLE III.

Noteholder Servicing Fee

Section 3.1 Servicing Compensation. The share of the Servicing Fee allocable to Series 2009-VFN for any Transfer Date (the "Noteholder Servicing Fee") shall be equal to one-twelfth of the product of (a) the Series Servicing Fee Percentage and (b) the Weighted Average Collateral Amount for the preceding Monthly Period; provided, however, that with respect to the first Transfer Date, the Noteholder Servicing Fee shall instead equal 33/360 of such product. The remainder of the Servicing Fee shall be paid by the holders of the Transferor Interest or the noteholders of other Series (as provided in the related Indenture Supplements), and in no event shall the Trust, the Indenture Trustee or the Series 2009-VFN Noteholders be liable for the share of the Servicing Fee to be paid by the holders of the Transferor Interest or the noteholders of any other Series.

ARTICLE IV.

Variable Funding Mechanics

Section 4.1 Variable Funding Mechanics

(a) Class A Incremental Fundings. From time to time during the Revolving Period and prior to the Purchase Expiration Date, Transferor and Servicer may notify one or more Class A Administrative Agents that a Class A Incremental Funding will occur, subject to the conditions of the Class A Note Purchase Agreement, with respect to the related Class A Ownership Group(s) on the next or any subsequent Business Day by delivering a Notice of Incremental Funding (as defined in the Class A Note Purchase Agreement) executed by Transferor and Servicer to the Class A Administrative Agent for each such Class A Ownership Group, specifying the amount of such Class A Incremental Funding and the Business Day upon which such Class A Incremental Funding is to occur, provided that a Class A Incremental Funding shall not be requested from a Class A Administrative Agent for an Ownership Group that is a Non-Renewing Ownership Group if the Incremental Funding would occur on or after the Purchase Expiration Date (without giving effect to any requested extension of the Purchase Expiration to which the related Non-Renewing Ownership Group did not consent). The amount of Class A Incremental Funding allocated to each Class A Ownership Group shall be a minimum amount of \$1,000,000 or a higher integral multiple thereof for each Class A Ownership Group, except that a Class A Incremental Funding may be requested in the entire remaining Class A Purchase Limit of the related Class A Ownership Group. Upon any Class A Incremental Funding, the Class A Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein. For each Class A Incremental Funding, the Class A Principal Balance shall increase in an amount equal to the Class A Incremental Principal Balance. The increase in the Class A Principal Balance shall be allocated to the Class A Notes held by the Class A Noteholders from which purchase prices were received in connection with the Class A Incremental Funding in proportion to the amount of such purchase prices received.

(b) Optional Amortization. On any Business Day in the Revolving Period or the Controlled Amortization Period, Transferor may cause Servicer to provide notice to the Indenture Trustee, the Class M Noteholders, the Class B Noteholders, the Class C Noteholders and the Class A Administrative Agents for affected Class A Ownership Groups (an "Optional Amortization Notice") at least two Business Days prior to any Business Day (the "Optional Amortization Date") stating its intention to cause a full or partial amortization of the Class A Notes, the Class M Notes, the Class B Notes and the Class C Notes with Available Principal Collections on the Optional Amortization Date, in full or in part, in an amount (the "Optional Amortization Amount"), which shall be allocated among the Class A Notes, the Class M Notes, the Class B Notes and the Class C Notes, based on the Class A Pro Rata Percentage, the Class M Pro Rata Percentage, the Class B Pro Rata Percentage and the Class C Pro Rata Percentage, respectively; provided that if as a result of the payment of a Mandatory Limited Payment Amount, the Class B Principal Balance exceeds the Required Class B Principal Balance or the Class C Principal Balance exceeds the Required Class C Principal Balance, the Optional Amortization Amount may be allocated on a non-pro rata basis among the Classes of Series 2009-VFN Notes in order to reduce the Class B Principal Balance to an amount not less than the Required Class B Principal Balance and to reduce the Class C Principal Balance to an amount not less than the Required Class C Principal Balance. The portion of the Optional Amortization Amount allocated to any Class A Ownership Group shall be in an aggregate amount not less than \$1,000,000 or a higher integral multiple thereof, except that the Optional Amortization Amount allocated to any Class A Ownership Group may equal the entire Principal Balance of the related Class A Note for such Class A Ownership Group. The Optional Amortization Notice shall state the Optional Amortization Date, the Optional Amortization Amount and the allocation of such Optional Amortization Amount among the various Classes and Class A Ownership Groups. The Optional Amortization Amount shall be paid from Shared Principal Collections pursuant to Section 8.5 of the Master Indenture and Section 5.8. Accrued interest and any Class A Additional Amounts, payable to each affected Class A Ownership Group shall be payable on the first Distribution Date on or after the related Optional Amortization Date. On the Business Day prior to each Optional Amortization Date, Servicer shall instruct the Indenture Trustee in writing (which writing shall be substantially in the form of Exhibit B) to withdraw from the Collection Account and deposit in the Distribution Account, to the extent of the available funds held therein as Shared Principal Collections pursuant to Section 5.8, an amount sufficient to pay the Optional Amortization Amount on that Optional Amortization Date, and the Indenture Trustee, acting in accordance with such instructions, shall on such Business Day make such withdrawal and deposit.

(c) Refinanced Optional Amortization. On any Business Day in the Revolving Period or the Controlled Amortization Period, Transferor may, with the consent of each affected Series 2009-VFN Noteholder, cause Servicer to provide notice to the Indenture Trustee and all of the Series 2009-VFN Noteholders at least five Business Days prior to any Business Day (the

"Refinancing Date") stating its intention to cause the Series 2009-VFN Notes to be prepaid in full or in part on the Refinancing Date by causing all or a portion of the Collateral Amount to be conveyed to one or more Persons (who may be the Noteholders of a new Series issued substantially contemporaneously with such prepayment) for a cash purchase price in an amount equal to the sum of (i) the Collateral Amount (or the portion thereof that is being conveyed), plus (ii) accrued and unpaid interest on the Collateral Amount (or the portion thereof that is being conveyed) through the Refinancing Date, plus (iii) any accrued and unpaid Class A Non-Use Fees and Class A Additional Amounts in respect of the Collateral Amount (or portion thereof that is being conveyed) through the Refinancing Date. In the case of any such conveyance, the purchase price shall be deposited in the Collection Account and shall be distributed to the applicable Series 2009-VFN Noteholders on a *pro rata* basis in accordance with the Class A Pro Rata Percentage, Class M Pro Rata Percentage, Class B Pro Rata Percentage and Class C Pro Rata Percentage and, with respect to the Class A Notes, based on the Class A Ownership Group Percentage for each Class A Ownership Group, on the Refinancing Date in accordance with the terms of this Indenture Supplement and the Indenture; provided that after giving effect to such conveyance and application of the purchase price (i) the Class M Principal Balance shall not be less than the Required Class M Principal Balance, (ii) the Class B Principal Balance shall not be less than the Required Class B Principal Balance, and (iii) the Class C Principal Balance shall not be less than the Required Class C Principal Balance.

(d) Class M Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may, to the extent permitted by the applicable Class M Note Purchase Agreement, notify the Class M Noteholders that a Class M Incremental Funding will occur, subject to the conditions, if any, of the applicable Class M Note Purchase Agreements, on any Business Day by delivering a Notice of Class M Incremental Funding (as defined in the applicable Class M Note Purchase Agreement) executed by Transferor and Servicer to the Class M Noteholder, specifying the amount of such Class M Incremental Funding and the Business Day upon which such Incremental Funding is to occur (which shall fall at least three Business Days after the date of such Notice). Upon any Class M Incremental Funding, the Class M Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein.

(e) Class B Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may, to the extent permitted by the applicable Class B Note Purchase Agreement, notify the Class B Noteholders that a Class B Incremental Funding will occur, subject to the conditions, if any, of the applicable Class B Note Purchase Agreements, on any Business Day by delivering a Notice of Class B Incremental Funding (as defined in the applicable Class B Note Purchase Agreement) executed by Transferor and Servicer to the Class B Noteholder, specifying the amount of such Class B Incremental Funding and the Business Day upon which such Incremental Funding is to occur (which shall fall at least three Business Days after the date of such Notice). Upon any Class B Incremental Funding, the Class B Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein.

(f) Class C Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may, to the extent permitted by the Class C Note Purchase Agreement, notify the Class C Noteholders that a Class C Incremental Funding will occur, subject to the conditions, if any, of the Class C Note Purchase Agreement, on any Business Day by delivering a Notice of Class C Incremental Funding (as defined in the Class C Note Purchase Agreement) executed by Transferor and Servicer to the Class C Noteholder, specifying the amount of such Class C Incremental Funding and the Business Day upon which such Class C Incremental Funding is to occur (which shall fall at least three Business Days after the date of such notice). Upon any Class C Incremental Funding, the Class C Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein.

Rights of Series 2009-VFN Noteholders and Allocation and Application of CollectionsSection 5.1 Collections and Allocations

(a) Allocations. Finance Charge Collections, Principal Collections and Defaulted Receivables allocated to Series 2009-VFN pursuant to Article VIII of the Indenture shall be allocated and distributed as set forth in this Article.

(b) Allocations to the Series 2009-VFN Noteholders. The Servicer shall on the Date of Processing, allocate to the Series 2009-VFN Noteholders the following amounts as set forth below:

(i) Allocations of Finance Charge Collections. The Servicer shall allocate to the Series 2009-VFN Noteholders an amount equal to the product of (A) the Allocation Percentage and (B) the aggregate Finance Charge Collections processed on such Date of Processing and shall deposit such amount into the Finance Charge Account, provided that, with respect to each Monthly Period falling in the Revolving Period (and with respect to that portion of each Monthly Period in the Controlled Amortization Period falling on or after the day on which Collections of Principal Receivables equal to the Controlled Amortization Amount have been allocated pursuant to clause 5.1(b)(ii)), so long as the Available Cash Collateral Amount is not less than the Required Cash Collateral Amount on such Date of Processing, Collections of Finance Charge Receivables shall be transferred into the Finance Charge Account only until such time as the aggregate amount so deposited equals the product of (x) 1.5 and (y) the sum (the "Target Amount") of (A) the Monthly Interest for the related Distribution Date, (B) the Class A Non-Use Fee, if any, (C) the Class A Additional Amounts, if any, (D) if Comenity Capital Bank is not the Servicer, the Noteholder Servicing Fee (and if Comenity Capital Bank is the Servicer, then amounts that otherwise would have been transferred into the Finance Charge Account pursuant to this clause (D) shall instead be returned to Comenity Capital Bank as payment of the Noteholder Servicing Fee), (E) any amount required to be deposited in the Cash Collateral Account on the related Transfer Date and (F) the sum of the Investor Default Amounts for the prior Monthly Period and any Investor Uncovered Dilution Amount for the prior Monthly Period; provided further, that, notwithstanding the preceding proviso, if on any Business Day the Servicer determines that the Target Amount for a Monthly Period exceeds the Target Amount for that Monthly Period as previously calculated by Servicer, then (x) Servicer shall (on the same Business Day) inform Transferor of such determination, and (y) within two Business Days of receiving such notice Transferor shall deposit into the Finance Charge Account funds in an amount equal to the amount of Collections of Finance Charge Receivables allocated to the Noteholders for that Monthly Period but not deposited into the Finance Charge Account due to the operation of the preceding proviso (but not in excess of the amount required so that the aggregate amount deposited for the subject Monthly Period equals the Target Amount); and provided, further, if on any Transfer Date the Transferor Amount is less than zero after giving effect to all transfers and deposits on that Transfer Date, Transferor shall, on that Transfer Date, deposit into the Principal Account funds in an amount equal to the amounts of Available Finance Charge Collections that are required to be treated as Available Principal Collections pursuant to clause 5.4(a)(viii) and (ix) but are not available from funds in the Finance Charge Account as a result of the operation of second preceding proviso.

With respect to any Monthly Period when deposits of Collections of Finance Charge Receivables into the Finance Charge Account are limited to deposits up to 1.5 times the Target Amount in accordance with clause (i) above, notwithstanding such limitation and notwithstanding the provisions of Section 8.4(a) of the Indenture: (1) Reallocated Principal Collections for the related Transfer Date shall be calculated as if the full amount of Finance Charge Collections allocated to the Noteholders during that Monthly Period had been deposited in the Finance Charge Account and applied on such Transfer Date in accordance with subsection 5.4(a); and (2) Collections of Finance Charge Receivables released to Transferor pursuant to such Section 5.1(b)(i) shall be deemed, for purposes of all calculations under this Indenture Supplement, to have been retained in the Finance Charge Account and applied to the items specified in subsections 5.4(a) to which such amounts would have been applied (and in the priority in which they would have been applied) had such amounts been available in the Finance Charge Account on such Transfer Date. To avoid doubt, the calculations referred to in the preceding clause (2) include the calculations required by clause (b) of the definition of Collateral Amount and by the definition of Portfolio Yield.

(ii) Allocations of Principal Collections. The Servicer shall allocate to the Series 2009-VFN Noteholders the following amounts as set forth below:

(x) Allocations During the Revolving Period.

(1) During the Revolving Period an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing, shall be allocated to the Series 2009-VFN Noteholders and *first*, retained in the Principal Account to the extent necessary, to pay the Mandatory Limited Payment Amount on the related Distribution Date, *second*, if any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Shared Principal Collections for other Principal Sharing Series on the related Distribution Date, *third*, retained in the Principal Account, to the extent necessary, to pay any Optional Amortization Amount on the related Optional Amortization Date, *fourth*, deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Minimum Transferor Amount and *fifth*, paid to the holders of the Transferor Interest.

(2) With respect to each Monthly Period falling in the Revolving Period, to the extent that Collections of Principal Receivables allocated to the Series 2009-VFN Noteholders pursuant to this clause 5.1(b)(ii) are paid to Transferor, Transferor shall make an amount equal to the Reallocated Principal Collections for the related Transfer Date available on that Transfer Date for application in accordance with Section 5.6.

(y) Allocations During the Controlled Amortization Period. During the Controlled Amortization Period an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing (the product for any such date is hereinafter referred to as a "Percentage Allocation") shall be allocated to the Series 2009-VFN Noteholders and transferred to the Principal Account until applied as provided herein; provided, however, that if the sum of such Percentage Allocation and all preceding Percentage Allocations with respect to the same Monthly Period exceeds the Controlled Payment Amount during the Controlled Amortization Period for the related Distribution Date, then such excess shall not be treated as a Percentage Allocation and shall be *first*, if any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Shared Principal Collections to other Principal Sharing Series on the related Distribution Date, *second*, retained in the Principal Account to pay any Optional Amortization Amount on the related Optional Amortization Date, *third*, deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Minimum Transferor Amount and *fourth*, paid to the holders of the Transferor Interest.

(z) Allocations During the Early Amortization Period. During the Early Amortization Period, an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing shall be allocated to the 2009-VFN Noteholders and transferred to the Principal Account until applied as provided herein; provided, however, that after the date on which an amount of such Principal Collections equal to the Note Principal Balance has been deposited into the Principal Account such amount shall be first, if any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Shared Principal Collections to other Principal Sharing Series on the related Distribution Date, second deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Minimum Transferor Amount and third paid to the holders of the Transferor Interest.

(c) During any period when Servicer is permitted by Section 8.4 of the Indenture to make a single monthly deposit to the Collection Account, amounts allocated to the Noteholders pursuant to Sections 5.1(a) and (b) with respect to any Monthly Period need not be deposited into the Collection Account or any Series Account prior to the related Transfer Date, and, when so deposited, (x) may be deposited net of any amounts required to be distributed to Transferor and, if Comenity Capital Bank is Servicer, to Servicer, and (y) shall be deposited into the Finance Charge Account (in the case of Collections of Finance Charge Receivables) and the Principal Account (in the case of Collections of Principal Receivables (not including any Shared Principal Collections allocated to Series 2009-VFN pursuant to Section 8.5 of the Indenture)).

(d) On any date, Servicer may direct the Indenture Trustee to withdraw from the Collection Account or any Series Account any amounts inadvertently deposited in such account that should have not been so deposited.

Section 5.2 Determination of Monthly Interest.

(a) Pursuant to the Class A Note Purchase Agreement, certain Class A Ownership Tranches may from time to time be divided into one or more subdivisions (each, as further specified in the Class A Note Purchase Agreement, a "Class A Funding Tranche") which will accrue interest on different bases. The amount of monthly interest ("Class A Monthly Interest") distributable from the Distribution Account with respect to the Class A Notes on any Distribution Date shall be an amount equal to the aggregate amount of interest that accrued over that Distribution Period on each Class A Funding Tranche (plus the aggregate amount of interest that accrued over any prior Distribution Period on any Class A Funding Tranche and has not yet been paid, plus additional interest (to the extent permitted by law) on such overdue amounts at the weighted average interest rate applicable to the related Class A Ownership Tranche during that Distribution Period, and minus any overpayment of interest on the prior Distribution Date as a result of the estimation referred to below), all as determined by Servicer on the related Determination Date. For purposes of such determination, Servicer shall rely upon information provided by the various Class A Administrative Agents pursuant to the Class A Note Purchase Agreement including estimates of the interest to accrue on any Class A Funding Tranche through the related Distribution Date. The interest accrued on any Class A Ownership Tranche (or related Class A Funding Tranche) for any Distribution Period shall be determined using the applicable Class A Tranche Rate and shall equal the product of (x) the Weighted Average Class A Principal Balance for that Class A Ownership Tranche (or Class A Funding Tranche), (y) the applicable Class A Tranche Rate and (z) the applicable Day Count Fraction.

(b) The amount of monthly interest ("Class M Monthly Interest") distributable from the Distribution Account with respect to the Class M Notes on any Distribution Date shall be an amount equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class M Note Interest Rate in effect with respect to the related Distribution Period and (ii) the average Class M Principal Balance outstanding during the preceding Monthly Period.

On the Determination Date preceding each Distribution Date, the Servicer shall determine the excess, if any (the "Class M Deficiency Amount"), of (x) the aggregate amount accrued pursuant to this subsection 5.2(b) as of the prior Distribution Date over (y) the amount of funds actually transferred from the Distribution Account for payment of such amount. If the Class M Deficiency Amount for any Distribution Date is greater than zero, on each subsequent Distribution Date until such Class M Deficiency Amount is fully paid, an additional amount ("Class M Additional Interest") equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class M Note Interest Rate in effect with respect to the related Distribution Period and (ii) such Class M Deficiency Amount (or the portion thereof which has not been paid to the Class M Noteholders) shall be payable as provided herein with respect to the Class M Notes. Notwithstanding anything to the contrary herein, Class M Additional Interest shall be payable or distributed to the Class M Noteholders only to the extent permitted by applicable law.

(c) The amount of monthly interest ("Class B Monthly Interest") distributable from the Distribution Account with respect to the Class B Notes on any Distribution Date shall be an amount equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class B Note Interest Rate in effect with respect to the related Distribution Period and (ii) the average Class B Principal Balance outstanding during the preceding Monthly Period.

On the Determination Date preceding each Distribution Date, the Servicer shall determine the excess, if any (the "Class B Deficiency Amount"), of (x) the aggregate amount accrued pursuant to this subsection 5.2(c) as of the prior Distribution Date over (y) the amount of funds actually transferred from the Distribution Account for payment of such amount. If the Class B Deficiency Amount for any Distribution Date is greater than zero, on each subsequent Distribution Date until such Class B Deficiency Amount is fully paid, an additional amount ("Class B Additional Interest") equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class B Note Interest Rate in effect with respect to the related Distribution Period and (ii) such Class B Deficiency Amount (or the portion thereof which has not been paid to the Class B Noteholders) shall be payable as provided herein with respect to the Class B Notes. Notwithstanding anything to the contrary herein, Class B Additional Interest shall be payable or distributed to the Class B Noteholders only to the extent permitted by applicable law.

(d) The amount of monthly interest ("Class C Monthly Interest") distributable from the Distribution Account with respect to the Class C Notes on any Distribution Date shall be an amount equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class C Note Interest Rate in effect with respect to the related Distribution Period and (ii) the average Class C Principal Balance outstanding during the preceding Monthly Period.

On the Determination Date preceding each Distribution Date, the Servicer shall determine the excess, if any (the "Class C Deficiency Amount"), of (x) the aggregate amount accrued pursuant to this subsection 5.2(d) as of the prior Distribution Date over (y) the amount of funds actually transferred from the Distribution Account for payment of such amount. If the Class C Deficiency Amount for any Distribution Date is greater than zero, on each subsequent Distribution Date until such Class C Deficiency Amount is fully paid, an additional amount ("Class C Additional Interest") equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is

360, times (B) the Class C Note Interest Rate in effect with respect to the related Distribution Period and (ii) such Class C Deficiency Amount (or the portion thereof which has not been paid to the Class C Noteholders) shall be payable as provided herein with respect to the Class C Notes. Notwithstanding anything to the contrary herein, Class C Additional Interest shall be payable or distributed to the Class C Noteholders only to the extent permitted by applicable law.

(e) If any distribution of principal is made with respect to any Class A Funding Tranche funded through the issuance of commercial paper notes or accruing interest based on LIBOR other than on (i) the day on which the related funding source, to the extent subject to a contracted maturity date, matures or (ii) a Distribution Date, or if the Class A Principal Balance of any Class A Ownership Tranche is reduced by an Optional Amortization Amount in an amount greater than the amount (if any) specified in the Class A Note Purchase Agreement with respect to that Class A Ownership Tranche without the applicable number (as specified in the Class A Note Purchase Agreement) of Business Days' prior notice to the affected Series 2009-VFN Noteholder, and in either case (i) the interest paid by the Class A Noteholder holding that Class A Funding Tranche to providers of funds to it to fund that Class A Funding Tranche exceeds (ii) returns earned by that Class A Noteholder through the related Distribution Date (or, if earlier, the maturity date for the related funding source) by redeployment of such funds in highly rated short-term money market instruments, then, upon written notice (which notice shall be signed by an officer of that Class A Noteholder with knowledge of and responsibility for such matters and shall set forth in reasonable detail the basis for requesting the amounts) from such Class A Noteholder to Servicer, such Class A Noteholder shall be entitled to receive additional amounts in the amount of such excess (each, a "Class A Breakage Payment") on the Distribution Date on or after the date such distribution of principal is made with respect to that Class A Funding Tranche, so long as such written notice is received not later than noon, New York City time, on the Transfer Date related to such Distribution Date. For purposes of calculations under this paragraph, any payment received by a Class A Noteholder later than noon, New York City time, on any day shall be deemed to have been received on the next day.

Section 5.3 Determination of Class A Monthly Principal, Class M Monthly Principal, Class B Monthly Principal and Class C Monthly Principal.

(a) The amount of monthly principal (the "Class A Monthly Principal") to be transferred from the Principal Account with respect to the Class A Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class A Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class A Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6), and (z) the Class A Principal Balance, (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to

Sections 5.5 and 5.6), and (z) the Class A Principal Balance and (iii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Mandatory Limited Amortization Period begins and ending on the Transfer Date in the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (x) the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (y) prior to the Non-Renewing Purchaser Scheduled Distribution Date, the Mandatory Limited Payment Amount for such Transfer Date, and (z) the Non-Renewing Purchaser Class A Principal Balance.

(b) The amount of monthly principal (the "Class M Monthly Principal") to be transferred from the Principal Account with respect to the Class M Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class M Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class M Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal), and (z) the Class M Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date over the portion of such Available Principal Collections applied to Class A Monthly Principal on such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of the Class A Monthly Principal), and (z) the Class M Principal Balance.

(c) The amount of monthly principal (the "Class B Monthly Principal") to be transferred from the Principal Account with respect to the Class B Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class B Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class B Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal and Class M Monthly Principal), and (z) the Class B Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date over the portion of such Available Principal Collections applied to Class A Monthly Principal and Class M Monthly Principal on such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal and Class M Monthly Principal), and (z) the Class B Principal Balance.

(d) The amount of monthly principal (the "Class C Monthly Principal") to be transferred from the Principal Account with respect to the Class C Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date) shall be equal to the least of (w) the Class C Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class C Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal), and (z) the Class C Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date over the portion of such Available Principal Collections applied to Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal), and (z) the Class C Principal Balance.

Section 5.4 Application of Available Finance Charge Collections and Available Principal Collections. On or before each Transfer Date, the Servicer shall instruct the Indenture Trustee in writing (which writing shall be substantially in the form of Exhibit B) to withdraw and the Indenture Trustee, acting in accordance with such instructions, shall withdraw on such Transfer Date or related Distribution Date, as applicable, to the extent of available funds, the amount required to be withdrawn from the Finance Charge Account, the Principal Account, the Principal Funding Account and the Distribution Account as follows:

(a) On each Transfer Date, an amount equal to the Available Finance Charge Collections with respect to the related Distribution Date will be distributed or deposited in the following priority:

(i) an amount equal to the unpaid Class A Monthly Interest for such Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class A Noteholders in accordance with Section 6.2;

(ii) an amount equal to the unpaid Class A Non-Use Fee, if any, not paid by the Transferor pursuant to the Class A Note Purchase Agreement for the related Distribution Period plus any Class A Non-Use Fee due but not paid to the Class A Noteholders on any prior Distribution Date and an amount equal to the Class A Additional Amounts, if any, for the related Distribution Period plus any Class A Additional Amounts due but not paid to the Class A Noteholders on any prior Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class A Noteholders in accordance with Section 6.2; provided, that the amounts distributed pursuant to this clause 5.4(a)(ii) shall not exceed 0.50% of the Weighted Average Collateral Amount over the Distribution Period;

(iii) an amount equal to the Noteholder Servicing Fee for such Transfer Date, plus the amount of any Noteholder Servicing Fee previously due but not distributed to the Servicer on a prior Transfer Date, shall be distributed to the Servicer;

(iv) an amount equal to the unpaid Class M Monthly Interest for such Distribution Date, plus any Class M Deficiency Amount, plus the amount of any Class M Additional Interest for such Distribution Date, plus the amount of any Class M Additional Interest previously due but not distributed to Class M Noteholders on a prior Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account;

(v) [Reserved];

(vi) an amount equal to Class B Monthly Interest for such Distribution Date, plus any Class B Deficiency Amount, plus the amount of any Class B Additional Interest for such Distribution Date, plus the amount of any Class B Additional Interest previously due but not distributed to Class B Noteholders on a prior Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account;

(vii) an amount equal to Class C Monthly Interest for such Distribution Date, plus any Class C Deficiency Amount, plus the amount of any Class C Additional Interest for such Distribution Date, plus the amount of any Class C Additional Interest previously due but not distributed to Class C Noteholders on a prior Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account;

(viii) an amount equal to the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for such Distribution Date shall be treated as a portion of Available Principal Collections for such Distribution Date and, during the Controlled Amortization Period or the Early Amortization Period, deposited into the Principal Account on the related Transfer Date to the extent needed to pay Monthly Principal on the related Distribution Date;

(ix) an amount equal to the sum of the aggregate amount of Investor Charge-Offs and the amount of Reallocated Principal Collections which have not been previously reimbursed pursuant to this clause (ix) shall be treated as a portion of Available Principal Collections for such Distribution Date and, during the Controlled Amortization Period or the Early Amortization Period, deposited into the Principal Account on the related Transfer Date to the extent needed to pay Monthly Principal on the related Distribution Date;

(x) an amount equal to the excess, if any, of the Required Cash Collateral Amount over the Available Cash Collateral Amount shall be deposited into the Cash Collateral Account;

(xi) any amounts not distributed pursuant to clause 5.4(a)(ii) because of the proviso in such clause shall be withdrawn from the Finance Charge Account and deposited into the Distribution Account for distribution to the Class A Noteholders; and

(xii) the balance, if any, will constitute a portion of Excess Finance Charge Collections for such Distribution Date.

(b) During the Revolving Period, an amount equal to the Available Principal Collections for the related Monthly Period will be treated as Shared Principal Collections and applied in accordance with Section 8.5 of the Indenture; provided, however, during any Mandatory Limited Amortization Period and on the Non-Renewing Purchaser Scheduled Distribution Date, an amount equal to the Available Principal Collections for the related Monthly Period shall be distributed or deposited in the following order of priority:

(i) an amount equal to the Class A Monthly Principal shall be deposited into the Distribution Account on such Transfer Date for payment to the Class A Noteholders in each Class A Ownership Group that is a Non-Renewing Ownership Group, on a pro rata basis, until the Non-Renewing Purchaser Class A Principal Balance has been reduced to zero; and

(ii) the balance shall be treated as Shared Principal Collections and applied in accordance with Section 8.5 of the Indenture.

(c) On each Transfer Date following any Monthly Period during the Controlled Amortization Period or the Early Amortization Period, an amount equal to the Available Principal Collections for the related Monthly Period shall be distributed or deposited in the following order of priority:

(i) an amount equal to the Class A Monthly Principal for such Transfer Date shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class A Noteholders on the related Distribution Date until the Class A Principal Balance has been paid in full;

(ii) an amount equal to the Class M Monthly Principal for such Transfer Date shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class M Noteholders on the related Distribution Date until the Class M Principal Balance has been paid in full;

(iii) an amount equal to the Class B Monthly Principal for such Transfer Date shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class B Noteholders on the related Distribution Date until the Class B Principal Balance has been paid in full;

(iv) an amount equal to the Class C Monthly Principal, if any, shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class C Noteholders on the related Distribution Date until the Class C Principal Balance has been paid in full; and

(v) the balance shall be treated as Shared Principal Collections and applied in accordance with Section 8.5 of the Indenture.

(d) On each Distribution Date, the Indenture Trustee shall pay in accordance with Section 6.2 to the Class A Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(i), (ii), and (xi) on the preceding Transfer Date, to the Class M Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clause 5.4(a)(iv) on the preceding Transfer Date, to the Class B Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(vi) on the preceding Transfer Date and to the Class C Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clause 5.4(a)(vii).

Section 5.5 Investor Charge-Offs. On each Determination Date, the Servicer shall calculate the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for the related Distribution Date. If, on any Distribution Date, the sum of the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for such Distribution Date exceeds the sum of the amount of Available Finance Charge Collections and the amount withdrawn from the Cash Collateral Account allocated with respect thereto pursuant to 5.10(c) with respect to such Distribution Date, the Collateral Amount will be reduced (but not below zero) by the amount of such excess (such reduction, an "Investor Charge-Off").

Section 5.6 Reallocated Principal Collections. On each Transfer Date, the Servicer shall apply, or shall instruct the Indenture Trustee in writing to apply, Investor Principal Collections with respect to that Transfer Date, to fund any deficiency pursuant to and in the priority set forth in clauses 5.4(a)(i) through (vi) after giving effect to any withdrawal from the Cash Collateral Account to cover such payments. On each Transfer Date, the Collateral Amount shall be reduced by the amount of Reallocated Principal Collections for such Transfer Date.

Section 5.7 Excess Finance Charge Collections. Series 2009-VFN shall be an Excess Allocation Series with respect to Group One only. Subject to Section 8.6 of the Indenture, Excess Finance Charge Collections with respect to the Excess Allocation Series in Group One for any Transfer Date will be allocated to Series 2009-VFN in an amount equal to the product of (x) the aggregate amount of Excess Finance Charge Collections with respect to all the Excess Allocation Series in Group One for such Distribution Date and (y) a fraction, the numerator of which is the Finance Charge Shortfall for Series 2009-VFN for such Distribution Date and the denominator of which is the aggregate amount of Finance Charge Shortfalls for all the Excess Allocation Series in Group One for such Distribution Date. The "Finance Charge Shortfall" for Series 2009-VFN for any Distribution Date will be equal to the excess, if any, of (a) the full amount required to be paid, without duplication, pursuant to clauses 5.4(a)(i) through (xi) on such Distribution Date over (b) the Available Finance Charge Collections with respect to such Distribution Date (excluding any portion thereof attributable to Excess Finance Charge Collections).

Section 5.8 Shared Principal Collections. Subject to Section 8.5 of the Indenture, Shared Principal Collections allocable to Series 2009-VFN on any Transfer Date shall equal the product of (i) the aggregate amount of Shared Principal Collections with respect to all Principal Sharing Series for such Transfer Date and (ii) a fraction, the numerator of which is the Principal Shortfall for Series 2009-VFN for such Transfer Date and the denominator of which is the aggregate amount of Principal Shortfalls for all the Series which are Principal Sharing Series for such Transfer Date. The "Principal Shortfall" for Series 2009-VFN for any Transfer Date shall equal, the excess, if any, of the sum, without duplication, of any Mandatory Limited Payment Amount, Optional Amortization Amounts, Class A Monthly Principal, Class M Monthly Principal, Class B Monthly Principal and Class C Monthly Principal with respect to such Transfer Date over the amount of Available Principal Collections for such Transfer Date (excluding any portion thereof attributable to Shared Principal Collections).

Section 5.9 Certain Series Accounts.

(a) The Indenture Trustee shall establish and maintain with an Eligible Institution, which may be the Indenture Trustee in the name of the Trust, on behalf of the Trust, for the benefit of the Noteholders, three segregated trust accounts with such Eligible Institution (the "Finance Charge Account", the "Principal Account" and the "Distribution Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2009-VFN Noteholders. The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Finance Charge Account, the Principal Account and the Distribution Account and in all proceeds thereof. The Finance Charge Account, the Principal Account and the Distribution Account shall be under the sole dominion and control of the Indenture Trustee for the benefit of the Series 2009-VFN Noteholders. If at any time the institution holding the Finance Charge Account, the Principal Account and the Distribution Account ceases to be an Eligible Institution, the Transferor shall notify the Indenture Trustee in writing, and the Indenture Trustee upon being notified (or the Servicer on its behalf) shall, within ten (10) Business Days, establish a new Finance Charge Account, a new Principal Account and a new Distribution Account meeting the conditions specified above with an Eligible Institution, and shall transfer any cash or any investments to such new Finance Charge Account, new Principal Account and new Distribution Account. The Indenture Trustee, at the written direction of the Servicer, shall make withdrawals from the Finance Charge Account, the Principal Account and the Distribution Account from time to time, in the amounts and for the purposes set forth in this Indenture Supplement. Indenture Trustee at all times shall maintain accurate records reflecting each transaction in the Finance Charge Account, the Principal Account and the Distribution Account.

(b) Funds on deposit in the Finance Charge Account, the Principal Account and the Distribution Account, from time to time shall be invested and reinvested at the direction of the Servicer by the Indenture Trustee in Eligible Investments that will mature so that such funds will be available for withdrawal on or prior to the following Transfer Date. The Servicer shall give a written standing instruction for such investments, and amounts in such accounts will not be invested if the Servicer fails to give such instructions to the Indenture Trustee.

(c) Section 6.14 of the Indenture shall apply to the Series Accounts.

Section 5.10 Cash Collateral Account.

(a) The Indenture Trustee shall establish and maintain with an Eligible Institution, which may be the Indenture Trustee in the name of the Trust, on behalf of the Trust, for the benefit of the Series 2009-VFN Noteholders, a segregated trust account (the "Cash Collateral Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2009-VFN Noteholders. The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Cash Collateral Account and in all proceeds thereof. The Cash Collateral Account shall be under the sole dominion and control of the Indenture Trustee for the benefit of the Series 2009-VFN Noteholders. If at any time the institution holding the Cash Collateral Account ceases to be an Eligible Institution, the Transferor shall notify the Indenture Trustee, and the Indenture Trustee upon being notified (or the Servicer on its behalf) shall, within ten (10) Business Days, establish a new Cash Collateral Account meeting the conditions specified above with an Eligible Institution, and shall transfer any cash or any investments to such new Cash Collateral Account.

(b) Funds on deposit in the Cash Collateral Account shall be invested at the written direction of the Servicer by the Indenture Trustee in Eligible Investments. The Servicer shall give a written standing instruction for such investments, and amounts in such account will not be invested if the Servicer fails to give such instructions to the Indenture Trustee. Funds on deposit in the Cash Collateral Account on any Transfer Date, after giving effect to any withdrawals from the Cash Collateral Account on such Transfer Date, shall be invested in such investments that will mature so that such funds will be available for withdrawal on or prior to the following Transfer Date.

On each Transfer Date, all interest and earnings (net of losses and investment expenses) accrued since the preceding Transfer Date on funds on deposit in the Cash Collateral Account shall be retained in the Cash Collateral Account (to the extent that the Available Cash Collateral Account Amount is less than the Required Cash Collateral Account Amount) and the balance, if any, shall be deposited into the Finance Charge Account and included in Available Finance Charge Collections for such Transfer Date. For purposes of determining the availability of funds or the balance in the Cash Collateral Account for any reason under this Indenture Supplement, except as otherwise provided in the preceding sentence, interest and earnings on such funds shall be deemed not to be available or on deposit.

(c) On each Determination Date, Servicer shall calculate the amount (the "Required Draw Amount") by which the sum of the amounts required to be distributed pursuant to clauses 5.4(a)(i) through (viii) with respect to the related Transfer Date exceeds the amount of Available Finance Charge Collections with respect to the related Monthly Period. If the Required Draw Amount for any Transfer Date is greater than zero, Servicer shall give written notice to the Indenture Trustee of such positive Required Draw Amount on the related Determination Date. On the related Transfer Date, the Required Draw Amount, if any, up to the Available Cash Collateral Amount, the Servicer shall direct the Indenture Trustee in writing to withdraw from the Cash Collateral Account and distributed to fund any deficiency pursuant to clauses 5.4(a)(i) through (viii) (in the order of priority set forth in subsection 5.4(a)).

(d) If, after giving effect to all deposits to and withdrawals from the Cash Collateral Account with respect to any Transfer Date, the amount on deposit in the Cash Collateral Account exceeds the Required Cash Collateral Amount, the Indenture Trustee acting in accordance with the instructions of the Servicer, shall withdraw an amount equal to such excess from the Cash Collateral Account and distribute such amounts remaining after application pursuant to subsection 5.10(c) to the Transferor.

Section 5.11 Investment Instructions. Any investment instructions required to be given to the Indenture Trustee pursuant to the terms hereof must be given in the form of a written standing instruction to the Indenture Trustee no later than 11:00 a.m., New York City time, on the date such investment is to be made. In the event the Indenture Trustee receives such investment instruction later than such time, the Indenture Trustee may, but shall have no obligation to, make such investment. In the event the Indenture Trustee is unable to make an investment required in an investment instruction received by the Indenture Trustee after 11:00 a.m., New York City time, on such day, such investment shall be made by the Indenture Trustee on the next succeeding Business Day. In no event shall the Indenture Trustee be liable for any investment not made pursuant to investment instructions received after 11:00 a.m., New York City time, on the day such investment is requested to be made. If investment instructions are not given with respect to funds in any Accounts, such funds shall remain uninvested until instructions are delivered to the Indenture Trustee in accordance with the terms hereof.

Section 5.12 Determination of LIBOR.

(a) On each LIBOR Determination Date in respect of a Distribution Period, the Indenture Trustee shall determine LIBOR on the basis of the rate for deposits in United States dollars for a period of the Designated Maturity which appears on the Designated LIBOR Page as of 11:00 a.m., London time, on such date. If such rate does not appear on the Designated LIBOR Page, the rate for that Distribution Period Determination Date shall be determined on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on that day to prime banks in the London interbank market for a period of the Designated Maturity. The Indenture Trustee shall request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two (2) such quotations are provided, the rate for that Distribution Period shall be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the rate for that Distribution Period will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Servicer, at approximately 11:00 a.m., New York City time, on that day for loans in United States dollars to leading European banks for a period of the Designated Maturity. LIBOR for the first Distribution Period will be determined by straight-line interpolation, based on the actual number of days in such Distribution Period from the date of the initial Class A Incremental Funding to but excluding November 16, 2009, between two rates determined in accordance with the preceding paragraph, one of which will be determined for a maturity of one month and one of which will be determined for a maturity of two months.

(b) LIBOR that may be applicable to the then current and the immediately preceding Distribution Periods may be obtained by telephoning the Indenture Trustee at its corporate trust office at (800) 934-6802 or such other telephone number as shall be designated by the Indenture Trustee for such purpose by prior written notice by the Indenture Trustee to each Series 2009-VFN Noteholder from time to time.

(c) On each LIBOR Determination Date, the Indenture Trustee shall send to the Servicer by facsimile transmission or electronic mail, notification of LIBOR for the following Distribution Period.

ARTICLE VI.

Delivery of Series 2009-VFN Notes; Distributions; Reports to Series 2009-VFN Noteholders

Section 6.1 Delivery and Payment for the Series 2009-VFN Notes. The Issuer shall execute and issue, and the Indenture Trustee shall authenticate, the Series 2009-VFN Notes in accordance with Section 2.3 of the Indenture. The Indenture Trustee shall deliver the Series 2009-VFN Notes to or upon the written order of the Trust when so authenticated.

Section 6.2 Distributions.

(a) On each Distribution Date, the Indenture Trustee shall distribute to each Class A Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class A Noteholder's portion (determined in accordance with Article V) of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class A Noteholders pursuant to this Indenture Supplement.

(b) On each Distribution Date, the Indenture Trustee shall distribute to each Class M Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class M Noteholder's pro rata share of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class M Noteholders pursuant to this Indenture Supplement.

(c) On each Distribution Date, the Indenture Trustee shall distribute to each Class B Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class B Noteholder's pro rata share of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class B Noteholders pursuant to this Indenture Supplement.

(d) On each Distribution Date, the Indenture Trustee shall distribute to each Class C Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class C Noteholder's pro rata share of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class C Noteholders pursuant to this Indenture Supplement.

(e) On each Distribution Date, if a shortfall in the amount of Available Finance Charge Collections available for distribution in accordance with any payment priority in clauses 5.4(a)(i), (ii) and (xi) exists, the Available Finance Charge Collections for such payment priority shall be allocated (a) ratably to each Class A Ownership Group based on its respective Class A Ownership Group Percentage and (b) any Available Finance Charge Collections allocated

pursuant to clause (a) to any Class A Ownership Group in excess of the amount owed to such Class A Ownership Group for the related payment priority shall be reallocated to each Class A Ownership Group that has a remaining shortfall in the Available Finance Charge Collections allocated to it pursuant to clause (a) in order to cover the amount owed to such Class A Ownership Group for the related payment priority, which reallocation shall be made ratably in accordance with the portion of the Note Principal Balances of all remaining Class A Ownership Groups represented by the Note Principal Balance of each such remaining Class A Ownership Group.

(f) The distributions to be made pursuant to this Section 6.2 are subject to the provisions of Sections 2.6, 6.1 and 7.1 of the Transfer and Servicing Agreement, Section 11.2 of the Indenture and Section 7.1 of this Indenture Supplement.

(g) All payments set forth herein shall be made by wire transfer of immediately available funds, provided that the Paying Agent, not less than five Business Days prior to the Record Date relating to the first distribution to such Series 2009-VFN Noteholder, has been furnished with appropriate wiring instructions in writing.

Section 6.3 Reports, Statements and Opinions to Series 2009-VFN Noteholders.

(a) On each Distribution Date, the Indenture Trustee shall make available to each Series 2009-VFN Noteholder via its website (<http://tss.sfs.db.com/investpublic>) a statement substantially in the form of Exhibit C prepared by the Servicer.

(b) Not later than the second Business Day preceding each Distribution Date, the Servicer shall deliver to the Owner Trustee and the Indenture Trustee (i) a statement substantially in the form of Exhibit B prepared by the Servicer and (ii) a certificate of an Authorized Officer substantially in the form of Exhibit D; provided that the Servicer may amend the form of Exhibit B from time to time, with the prior written consent of the Indenture Trustee.

(c) A copy of each statement or certificate provided pursuant to paragraph (a) or (b) may be obtained by any Series 2009-VFN Noteholder by a request in writing to the Servicer.

(d) On or before January 31 of each calendar year, beginning with January 31, 2010, the Indenture Trustee shall furnish or cause to be furnished to each Person who at any time during the preceding calendar year was a Series 2009-VFN Noteholder, a statement prepared by the Servicer containing the information which is required to be contained in the statement to Series 2009-VFN Noteholders, as set forth in paragraph (a) above, aggregated for such calendar year or the applicable portion thereof during which such Person was a Series 2009-VFN Noteholder, together with other information as is required to be provided by an issuer of indebtedness under the Code.

(e) On or before March 31 in each calendar year, beginning in 2017, the Issuer shall furnish to the Indenture Trustee and each Class A Administrative Agent an Opinion of Counsel either stating that, in the opinion of such counsel, such action has been taken to perfect the lien and security interest of the Indenture, including with respect to the recording, filing, re-recording and refiling of the Indenture, any indentures supplemental thereto and any other requisite documents and with respect to the execution and filing of any financing statements and

continuation statements as is so necessary and reciting the details of such action or stating that in the opinion of such counsel no such action is necessary to maintain the perfection of such lien and security interest. Such Opinion of Counsel shall also describe the recording, filing, re-recording and refiling of the Indenture, any indentures supplemental thereto and any other requisite documents and the execution and filing of any financing statements and continuation statements that will, in the opinion of such counsel, be required to maintain the perfection of the lien and security interest of this Indenture until March 31 in the following calendar year.

ARTICLE VII.

Series 2009-VFN Early Amortization Events

Section 7.1 Series 2009-VFN Early Amortization Events. If any one of the following events shall occur with respect to the Series 2009-VFN Notes:

(a) failure on the part of Transferor or the Issuer (i) to make any payment or deposit required to be made by it by the terms of the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Indenture or this Indenture Supplement on or before the date occurring five (5) Business Days after the date such payment or deposit is required to be made therein or herein or (ii) duly to observe or perform in any material respect any other of its covenants or agreements set forth in the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Indenture or this Indenture Supplement, which failure has a material adverse effect on the Series 2009-VFN Noteholders and which continues unremedied for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Indenture Trustee, or to the Transferor and the Indenture Trustee by any Holder of the Series 2009-VFN Notes;

(b) any representation or warranty made by Transferor or the Issuer, in the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Indenture or the Indenture Supplement or any information contained in a computer file or microfiche list required to be delivered by it pursuant to Section 2.1 or subsection 2.6(c) of the Transfer and Servicing Agreement shall prove to have been incorrect in any material respect when made or when delivered, which continues to be incorrect in any material respect for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Indenture Trustee, or to the Transferor and the Indenture Trustee by any Holder of the Series 2009-VFN Notes and as a result of which the interests of the Series 2009-VFN Noteholders are materially and adversely affected for such period; provided, however, that a Series 2009-VFN Early Amortization Event pursuant to this subsection 7.1(b) shall not be deemed to have occurred hereunder if the Transferor has accepted reassignment of the related Receivable, or all of such Receivables, if applicable, during such period in accordance with the provisions of the Transfer and Servicing Agreement;

(c) as of any date of determination, the Quarterly Excess Spread Percentage is less than 2%;

(d) a failure by Transferor to convey Receivables in Additional Accounts or Participations to the Receivables Trust within five (5) Business Days after the day on which it is required to convey such Receivables pursuant to subsection 2.6(b) of the Transfer and Servicing Agreement, provided that such failure shall not give rise to an Early Amortization Event if, prior to the date on which such conveyance was required to be completed, Transferor causes a reduction in the principal balance of any Variable Interest to occur, so that, after giving effect to that reduction (i) the Transferor Amount is not less than the Minimum Transferor Amount and (ii) the sum of the aggregate amount of Principal Receivables plus amounts on deposit in the Excess Funding Account is not less than the Required Principal Balance;

(e) any Servicer Default shall occur which would have a material adverse effect on the Series 2009-VFN Holders (which determination shall be made without reference to whether any funds are available under the Cash Collateral Account);

(f) the Class A Note Principal Balance shall not be paid in full on the Class A Scheduled Final Payment Date or the Non-Renewing Purchaser Class A Principal Balance shall not be paid in full on the Non-Renewing Purchaser Scheduled Distribution Date;

(g) [reserved];

(h) at any time that the Required Cash Collateral Amount has been greater than zero for three or more consecutive Monthly Periods immediately following the Monthly Period in which a Required Cash Collateral Amount Trigger Date occurs, the Available Cash Collateral Amount shall be less than the Required Cash Collateral Amount;

(i) as of any date of determination, the Quarterly Payment Rate Percentage shall be less than ;

(j) a Change in Control has occurred;

(k) as on any Determination Date, the percentage equivalent of a fraction (A) the numerator of which is the sum of (1) the aggregate Principal Receivables outstanding that have remained unpaid more than 60 days after their contractual due date as of the end of the related Monthly Period plus (2) the aggregate of the Default Amounts for all Accounts that became Defaulted Accounts during the related Monthly Period and (B) the denominator of which is the total Principal Receivables as of the end of the related Monthly Period is greater than ;

(l) the Pension Benefit Guaranty Corporation shall file notice of a lien pursuant to Section 4068 of the Employee Retirement Income Security Act of 1974, with regard to any of the assets of Comenity Capital Bank, which lien shall secure a liability in excess of and shall not have been released within 40 days; or

(m) a default shall have occurred and be continuing under any instrument or agreement evidencing or securing indebtedness for borrowed money of Comenity Capital Bank in excess of which default (i) is a default in payment of any principal or interest on such indebtedness when due or within any applicable grace period or (ii) shall have resulted in acceleration of the maturity of such indebtedness; or

(n) without limiting the foregoing, the occurrence of an Event of Default with respect to Series 2009-VFN and acceleration of the maturity of the Series 2009-VFN Notes pursuant to Section 5.3 of the Indenture;

then, in the case of any event described in subsections 7.1(a), (b), (e), (k), (l) or (m) of this Indenture Supplement, after the applicable grace period set forth in such Sections, two or more Holders of Outstanding Series 2009-VFN Notes evidencing undivided interests aggregating more than 50% of the Class A Purchase Limit of this Series 2009-VFN by notice then given in writing to Transferor and Servicer (and to the Indenture Trustee if given by the Holders) may, and the Indenture Trustee at the direction of such Holders shall, declare that an early amortization event (a "Series 2009-VFN Early Amortization Event") has occurred as of the date of such notice, and in the case of any event described in subsections 7.1(c), (d), (f), (h), (i), (j) or (n) of this Indenture Supplement, a Series 2009-VFN Early Amortization Event shall occur without any notice or other action on the part of Indenture Trustee or the Series 2009-VFN Noteholders immediately upon the occurrence of such event.

In addition to the other consequences of a Series 2009-VFN Early Amortization Event specified herein or a Trust Early Amortization Event, from and after the occurrence of any Series 2009-VFN Early Amortization Event or a Trust Early Amortization Event (until the same shall have been waived by all of the Series 2009-VFN Noteholders), with respect to any Account included in the Approved Portfolios, Transferor shall no longer permit or require Merchant Adjustment Payments or In-Store Payments to be netted against amounts owed to Transferor by the applicable Merchant but shall instead exercise its rights to require each Merchant to transfer to Servicer, not later than the third Business Day following receipt by such Merchant of any In-Store Payments or the occurrence of any event giving rise to Merchant Adjustment Payments, an amount equal to the sum of such In-Store Payments and Merchant Adjustment Payments. In addition, if any bankruptcy or other insolvency proceeding has been commenced against a Merchant, Servicer shall require that Merchant to (i) stop accepting In-Store Payments and (ii) inform Obligors who wish to make In-Store Payments that payment should instead be sent to Servicer, provided that Servicer shall not be required to take such action if (x) Servicer or Trustee has been provided a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and (y) each of the Series 2009-VFN Noteholders consents to such arrangement.

ARTICLE VIII.

Redemption of Series 2009-VFN Notes; Series Termination

Section 8.1 Optional Redemption of Series 2009-VFN Notes; Final Distributions.

(a) On any Business Day occurring on or after the date on which the outstanding principal balance of the Series 2009-VFN Notes is reduced to 10% or less of the greatest ever Note Principal Balance, the Servicer shall have the option to redeem the Series 2009-VFN Notes, at a purchase price equal to (i) if such day is a Distribution Date, the Reassignment Amount for such Distribution Date or (ii) if such day is not a Distribution Date, the Reassignment Amount for the Distribution Date following such day.

(b) Servicer shall give the Indenture Trustee at least thirty (30) days prior written notice of the date on which Servicer intends to exercise such optional redemption. Not later than 12:00 noon, New York City time, on such day Servicer shall deposit into the Collection Account in immediately available funds the excess of the Reassignment Amount over the amount, if any, on deposit in the Principal Account. Such redemption option is subject to payment in full of the Reassignment Amount. Following such deposit into the Collection Account in accordance with the foregoing, the Collateral Amount for Series 2009-VFN shall be reduced to zero, and the Series 2009-VFN Noteholders shall have no further security interest in the Receivables. The Reassignment Amount shall be distributed as set forth in subsection 8.1(d).

(c) (i) The amount to be paid by the Transferor with respect to Series 2009-VFN in connection with a reassignment of Receivables to the Transferor pursuant to subsection 2.4(e) of the Transfer and Servicing Agreement shall equal the Reassignment Amount for the first Distribution Date following the Monthly Period in which the reassignment obligation arises under the Transfer and Servicing Agreement.

(ii) The amount to be paid by the Transferor with respect to Series 2009-VFN in connection with a repurchase of the Notes pursuant to Section 7.1 of the Transfer and Servicing Agreement shall equal the Reassignment Amount for the Distribution Date of such repurchase.

(d) With respect to (a) the Reassignment Amount deposited into the Distribution Account pursuant to Section 8.1 or (b) the proceeds of any sale of Receivables pursuant to clause 5.5(a)(iii) of the Indenture with respect to Series 2009-VFN, the Indenture Trustee shall, in accordance with the written direction of the Servicer, not later than 12:00 noon, New York City time, on the related Distribution Date, make distributions of the following amounts (in the priority set forth below and, in each case, after giving effect to any deposits and distributions otherwise to be made on such date) in immediately available funds: (i) (x) the Class A Principal Balance on such Distribution Date will be distributed to the Class A Noteholders and (y) an amount equal to the sum of (A) Class A Monthly Interest for such Distribution Date, (B) any Class A Monthly Interest previously due but not distributed to the Class A Noteholders on any prior Distribution Date, will be distributed to the Class A Noteholders, (C) Class A Non-Use Fees, if any, due and payable to the Class A Noteholders on such Distribution Date or any prior Distribution Date and (D) Class A Additional Amounts, if any, due and payable on such Distribution Date or any prior Distribution Date will be distributed to the Class A Noteholders, (ii) (x) the Class M Principal Balance on such Distribution Date will be distributed to the Class M Noteholders and (y) an amount equal to the sum of (A) Class M Monthly Interest for such Distribution Date, (B) any Class M Deficiency Amount for such Distribution Date and (C) the amount of Class M Additional Interest, if any, for such Distribution Date and any Class M Additional Interest previously due but not distributed to the Class M Noteholders on any prior Distribution Date will be distributed to the Class M Noteholders on such Distribution Date, (iii) (x) the Class B Principal Balance on such Distribution Date will be distributed to the Class B Noteholders and (y) an amount equal to the sum of (A) Class B Monthly Interest for such Distribution Date, (B) any Class B Deficiency Amount for such Distribution Date and (C) the amount of Class B Additional Interest, if any, for such Distribution Date and any Class B Additional Interest previously due but not distributed to the Class B Noteholders on any prior Distribution Date, will be distributed to the Class B Noteholders on such Distribution Date,

(iv) (x) the Class C Principal Balance on such Distribution Date will be distributed to the Class C Noteholders and (y) an amount equal to the sum of (A) Class C Monthly Interest for such Distribution Date, (B) any Class C Deficiency Amount for such Distribution Date and (C) the amount of Class C Additional Interest, if any, for such Distribution Date and any Class C Additional Interest previously due but not distributed to the Class C Noteholders on any prior Distribution Date will be distributed to the Class C Noteholders, and (v) any excess shall be released to the Issuer.

Section 8.2 Series Termination. The right of the Series 2009-VFN Noteholders to receive payments from the Trust will terminate on the first Business Day following the Series Termination Date.

ARTICLE IX.

Miscellaneous Provisions

Section 9.1 Ratification of Indenture; Amendments. As supplemented by this Indenture Supplement, the Indenture is in all respects ratified and confirmed and the Indenture as so supplemented by this Indenture Supplement shall be read, taken and construed as one and the same instrument. This Indenture Supplement may be amended only by a Supplemental Indenture entered in accordance with the terms of Section 10.1 or 10.2 of the Indenture. For purposes of the application of Section 10.2 to any amendment of this Indenture Supplement, the Series 2009-VFN Noteholders shall be the only Noteholders whose vote shall be required.

Section 9.2 Counterparts. This Indenture Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

Section 9.3 Notices. Any required notice shall be made to the addresses specified in the applicable Note Purchase Agreement with respect to the Series 2009-VFN Noteholders.

Section 9.4 Form of Delivery of the Series 2009-VFN Notes. The Class A Notes, the Class M Notes, the Class B Notes and the Class C Notes shall be Definitive Notes and initially shall be registered in the Note Register in the name of the initial purchasers of such Notes identified in the Note Purchase Agreements.

Section 9.5 GOVERNING LAW. THIS INDENTURE SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 9.6 Limitation of Liability. Notwithstanding any other provision herein or elsewhere, this Agreement has been executed and delivered by BNY Mellon Trust of Delaware, not in its individual capacity, but solely in its capacity as Owner Trustee of the Trust. Nothing herein contained shall be construed as creating any liability on BNY Mellon Trust of Delaware,

individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and in no event shall BNY Mellon Trust of Delaware in its individual capacity have any liability in respect of the representations, warranties, or obligations of the Trust hereunder or under any other document, as to all of which recourse shall be had solely to the assets of the Trust, and for all purposes of this Agreement and each other document, the Owner Trustee (as such or in its individual capacity) shall be subject to, and entitled to the benefits of, the terms and provisions of the Trust Agreement.

Section 9.7 Rights of the Indenture Trustee. The Indenture Trustee shall have herein the same rights, protections, indemnities and immunities as specified in the Indenture.

Section 9.8 Additional Provisions. Notwithstanding anything to the contrary in any Transaction Document, until the Series Termination Date:

(a) the Indenture Trustee shall not agree to any extension of the 60 day periods referred to in Section 2.4 or 3.3 of the Transfer and Servicing Agreement;

(b) if the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to any one Merchant (other than Home Shopping Network, Virgin America, BJ's Wholesale (consumer) or any Merchant affiliated with any of the foregoing) as of the end of any related Monthly Period and (B) the denominator of which is the aggregate total Principal Receivables as of the end of such related Monthly Period exceeds 13.5%, the Transferor shall suspend the addition of the Automatic Additional Accounts relating to such Merchant program until such time as such percentage is less than 13.5%;

(c) if the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to Home Shopping Network as of the end of the related Monthly Period and (B) the denominator of which is the aggregate total Principal Receivables as of the end of such related Monthly Period exceeds 60.0%, the Transferor shall suspend the addition of the Automatic Additional Accounts relating to Home Shopping Network until such time as such percentage is less than 60.0%;

(d) if the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to BJ's Wholesale (consumer) as of the end of the related Monthly Period and (B) the denominator of which is the aggregate total Principal Receivables as of the end of such related Monthly Period exceeds 60.0%, the Transferor shall suspend the addition of the Automatic Additional Accounts relating to BJ's Wholesale (consumer) until such time as such percentage is less than 60.0%;

(e) if the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to Virgin America as of the end of the related Monthly Period and (B) the denominator of which is the aggregate total Principal Receivables as of the end of such related Monthly Period exceeds 60.0%, the Transferor shall suspend the addition of the Automatic Additional Accounts relating to Virgin America until such time as such percentage is less than 60.0%;

(f) if the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to BJ's Wholesale (commercial) as of the end of the related Monthly Period and (B) the denominator of which is the aggregate total Principal Receivables as of the end of such related Monthly Period exceeds 5.0%, the Transferor shall suspend the addition of the Automatic Additional Accounts relating to BJ's Wholesale (commercial) until such time as such percentage is less than 5.0%; and

(g) without the consent of each Class A Noteholder, Class M Noteholder and Class B Noteholder (which consent shall not be unreasonably withheld or delayed), Transferor shall not (i) engage in any transaction described in Section 4.2 of the Transfer and Servicing Agreement, (ii) designate additional or substitute Transferors or Credit Card Originators as permitted by Section 2.9 or 2.10 of the Transfer and Servicing Agreement or (iii) increase the percentage of Principal Receivables referred to in the proviso to clause (f) of the definition of "Eligible Account".

Section 9.9 No Petition. The Issuer and the Indenture Trustee, by entering into this Indenture Supplement, and each Series 2009-VFN Noteholder, by accepting a Series 2009-VFN Note, hereby covenant and agree that they will not at any time institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Series 2009-VFN Noteholders, the Indenture or this Indenture Supplement; provided, however, that nothing herein shall prohibit the Indenture Trustee from filing proofs of claim or otherwise participating in such proceedings instituted by any other person. The provisions of this Section 9.9 shall survive the termination of this Indenture Supplement.

Section 9.10 Additional Requirements for Registration of and Limitations on Transfer and Exchange of Notes. All Transfers will be subject to the transfer restrictions set forth on the Notes.

No Transfer (or purported Transfer) of a Class B Note or Class C Note (or economic interest therein) shall be made by Comenity Capital Bank, the Transferor or any person which is considered the same person as Comenity Capital Bank or the Transferor for U.S. Federal income tax purposes (except to a person which is considered the same person as Comenity Capital Bank for such purposes) and any such Transfer (or purported Transfer) of such Notes shall be void ab initio unless an Opinion of Counsel is first delivered to the Indenture Trustee to the effect that such Notes will constitute debt for U.S. federal income tax purposes.

Section 9.11 Amendments to the Indenture. The phrase "including all Initial Accounts and all Additional Accounts" shall be added to the end of the first sentence in the definition of "Account" contained in Annex A to the Indenture. Unless the Class A Administrative Agents shall otherwise consent, no commercial account, other than accounts arising in the BJ's Wholesale program, shall be an Eligible Account and the definition of "Eligible Account" in Annex A to the Indenture shall be modified by adding the following words at the end of clause (a) of such definition: "and, other than with respect to accounts arising in the BJ's Wholesale program, is not a commercial account".

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have caused this Indenture Supplement to be duly executed and delivered by their respective duly authorized officers on the day and year first above written.

WORLD FINANCIAL CAPITAL MASTER NOTE
TRUST, as Issuer

By: BNY Mellon Trust of Delaware, not in its
individual capacity, but solely as Owner Trustee

By: /s/ JoAnn C. DiOssi
Name: JoAnn C. DiOssi
Title: Vice President

"Deutsche Bank National Trust Company for"
DEUTSCHE BANK TRUST COMPANY
AMERICAS, as Indenture Trustee

By: /s/ Ellen Jean-Baptiste
Name: Ellen Jean-Baptiste
Title: Associate

By: /s/ Susan Barstock
Name: Susan Barstock
Title: Vice President

Acknowledged and Accepted:

COMENITY CAPITAL BANK,
as Servicer

By: /s/ Andrea Moss
Name: Andrea Moss
Title: President

WORLD FINANCIAL CAPITAL CREDIT COMPANY, LLC
as Transferor

By: /s/ Jeff Coon
Name: Jeff Coon
Title: Chief Financial Officer and Treasurer

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges for the periods indicated. Earnings consist of income before provisions for income taxes plus fixed charges. Fixed charges include interest expense, amortization of debt issuance costs and the portion of rental expense we believe is representative of the interest component of rent expense.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(In thousands, except per share amounts)				
Income before income taxes	\$ 931,676	\$ 837,941	\$ 793,412	\$ 682,904	\$ 514,095
Plus					
Fixed charges	369,562	294,818	335,645	318,148	320,978
Total	<u>\$ 1,301,238</u>	<u>\$ 1,132,759</u>	<u>\$ 1,129,057</u>	<u>\$ 1,001,052</u>	<u>\$ 835,073</u>
Earnings to fixed charges ratio	<u>3.5</u>	<u>3.8</u>	<u>3.4</u>	<u>3.2</u>	<u>2.6</u>
Fixed charges:					
Interest expense, including the amortization of debt issuance costs	\$ 336,353	\$ 265,452	\$ 309,574	\$ 295,175	\$ 300,816
Estimate of interest component of rent expense ⁽¹⁾	33,209	29,366	26,071	22,973	20,162
Total fixed charges	<u>\$ 369,562</u>	<u>\$ 294,818</u>	<u>\$ 335,645</u>	<u>\$ 318,148</u>	<u>\$ 320,978</u>

(1) Estimated at 1/3 of total rent expense

Subsidiaries of
Alliance Data Systems Corporation
A Delaware Corporation
(as of December 31, 2015)

<u>Subsidiary</u>	<u>Jurisdiction of Organization</u>	<u>Other Business Names</u>
Abacus Direct Europe BV	Netherlands	None
Acorn Direct Marketing Limited	Ireland	None
ADI, LLC	Delaware	None
ADS Alliance Data Systems, Inc.	Delaware	None
ADS Apollo Holdings B.V.	Netherlands	None
ADS Foreign Holdings, Inc.	Delaware	None
ADS Reinsurance Ltd.	Bermuda	None
ADS Sky Oak LLC	Delaware	None
Alliance Data FHC, Inc.	Delaware	Epsilon International
Alliance Data Foreign Holdings, Inc.	Delaware	None
Alliance Data Lux Financing S.à.r.l.	Luxembourg	None
Alliance Data Lux Holdings S.à.r.l.	Luxembourg	None
Alliance Data Pte. Ltd.	Singapore	None
Aspen Marketing Services, LLC	Delaware	None
Bach Acquisitions Corp	Delaware	None
BeFree Germany GmbH	Germany	None
BeFree International, Inc.	Delaware	None
BeFree France SAS	France	None
BeFree UK, Ltd	England	None
Brand Loyalty Americas BV*	Netherlands	None
Brand Loyalty Asia BV*	Netherlands	None
Brand Loyalty Australia Pty. Ltd.*	Australia	None
Brand Loyalty Brasil Marketing de Promocoes LTDA*	Brazil	None
Brand Loyalty BV*	Netherlands	Brand Loyalty Ventures Brand Loyalty Benelux Brand Loyalty Spain Brand Loyalty Hungary Brand Loyalty Austria Brand Loyalty France Brand Loyalty Poland Brand Loyalty Turkey BrandLoyalty
Brand Loyalty Canada Corp.*	Nova Scotia, Canada	None
Brand Loyalty Canada Holding B.V.*	Netherlands	None
Brand Loyalty Europe BV*	Netherlands	None
Brand Loyalty France Sarl*	France	None
Brand Loyalty Germany GmbH*	Germany	None
Brand Loyalty Group B.V.*	Netherlands	None
Brand Loyalty Holding BV*	Netherlands	None
Brand Loyalty International BV*	Netherlands	None
Brand Loyalty Italia S.p.A*	Italy	None
Brand Loyalty Japan KK*	Japan	None
Brand Loyalty Korea Co. Ltd.*	South Korea	None
Brand Loyalty Limited (HK)*	Hong Kong	None
Brand Loyalty OOO*	Russia	None
Brand Loyalty Russia BV*	Netherlands	None
Brand Loyalty Sourcing Asia Ltd*	Hong Kong	None
Brand Loyalty Sourcing BV*	Netherlands	Brand Loyalty Sourcing
Brand Loyalty Special Promotions BV*	Netherlands	None

<u>Subsidiary</u>	<u>Jurisdiction of Organization</u>	<u>Other Business Names</u>
Brand Loyalty Switzerland GmbH*	Switzerland	None
Brand Loyalty Trading (Shanghai) Co., Ltd*	China	None
Brand Loyalty UK Ltd*	England	None
Brand Loyalty USA Holding BV*	Netherlands	None
Brand Loyalty USA Inc.*	Delaware	None
Brand Loyalty Worldwide GmbH*	Switzerland	None
Bright Commerce Ltd*	United Kingdom	None
Calwood B.V.*	Netherlands	None
Catapult Integrated Services, LLC	Delaware	None
CJ Sweden Affiliate AB	Sweden	None
ClickGreener Inc.	Ontario, Canada	None
Comenity LLC	Delaware	None
Comenity Bank	Delaware	None
Comenity Canada L.P.	Ontario, Canada	Comenity Canada
Comenity Capital Bank	Utah	None
Comenity Operating Co., LLC	Delaware	None
Comenity Servicing LLC	Texas	None
Commission Junction Holding BV	Netherlands	None
Commission Junction France SARL	France	None
Commission Junction LLC	Texas	None
Conversant Asia Pacific Limited	Hong Kong	None
Conversant Deutschland GmbH	Germany	None
Conversant ESPANA, S.L.U.	Spain	None
Conversant Europe Limited	England	None
Conversant International Limited	Ireland	None
Conversant LLC	Delaware	None
Conversant Media Systems, Inc.	Delaware	None
Conversant Media, Inc.	Canada	None
Conversant SARL	France	None
Conversant Software Development and Campaign Management Services LLP	India	None
Conversant South Africa (Pty) Ltd.	South Africa	None
Coupons, LLC	Delaware	GetMembers Advecor Nsight Connect
D. L. Ryan Companies, LLC	Delaware	None
DNCE LLC	Delaware	None
Dotomi, Ltd	Israel	None
Edison International Concepts & Agencies BV*	Netherlands	None
Eindia, LLC	Delaware	None
Epsilon Communication Solutions, S.L.	Spain	None
Epsilon Data Management, LLC	Delaware	None
Epsilon Email Marketing India Private Limited	India	None
Epsilon Interactive CA, ULC	Nova Scotia, Canada	Aspen of West Chicago Marketing Services Aspen Marketing Services
Epsilon International, LLC	Delaware	None
Epsilon International Consulting Services Private Limited	India	None
Epsilon International UK Ltd.	England	None
Epsilon Software Technology Consulting (Shanghai) Co., Ltd.	Shanghai, People's Republic of China	None
Hyper Marketing Inc International Holdings Limited	Ireland	None
IceMobile Agency BV*	Netherlands	IceMobile
ICOM Ltd.	Ontario, Canada	None
iCom Information & Communications, Inc.	Delaware	None
ICOM Information & Communications L.P.	Ontario, Canada	Shopper's Voice
IM Digital Group BV*	Netherlands	None

<u>Subsidiary</u>	<u>Jurisdiction of Organization</u>	<u>Other Business Names</u>
Interact Connect LLC LoyaltyOne, Co.	Delaware Nova Scotia, Canada	None AIR MILES airmilesshops.ca AIR MILES Corporate Incentives AIR MILES For Business AIR MILES Incentives AIR MILES My Planet AIR MILES Reward Program Alliance Data Direct Antidote Colloquy Loyalty And Marketing Services LoyaltyOne Loyalty Services My Planet Squareknot
LoyaltyOne B.V. LoyaltyOne Participacoes Ltda LoyaltyOne Rewards Private Limited LoyaltyOne Travel Services Co. LoyaltyOne US, Inc.	Netherlands Brazil India Nova Scotia, Canada Delaware	None None None AIR MILES Travel Services Colloquy LoyaltyOne Consulting Precima
Lux Fourstar S.à.r.l. Max Holding B.V.* Mediaplex Deutschland GmbH Mediaplex Shanghai Advertising Co. Ltd. Mediaplex Systems, Inc. Merison Groep B.V.* Merison PTY Ltd* Merison Retail B.V.* Merison Retail HK Ltd.* Merison UK Ltd* Muse Agency BV*	Luxembourg Netherlands Germany China Kentucky Netherlands Australia Netherlands Hong Kong United Kingdom Netherlands	None None None None None None None Merison None None None Muse Muse Amsterdam
Rhombus Investments L.P. Ryan Partnership, LLC Shopping net, Ltd. SolutionSet, LLC Tri Vida Corporation Triangle Investments L.P. ValueClick Brasil Ltda WFC Card Services Holdings Inc. WFN Credit Company, LLC World Financial Capital Credit Company, LLC World Licenses BV* Z Media, Inc.	Bermuda Delaware England California California Bermuda Brazil Ontario, Canada Delaware Delaware Netherlands Delaware	None None None None None None None None None None None None None

* 70% owned

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-204759, 333-204758, 333-167525, 333-125770 and 333-65556 on Form S-8 of our reports dated February 25, 2016, relating to the consolidated financial statements and financial statement schedule of Alliance Data Systems Corporation and subsidiaries and the effectiveness of Alliance Data Systems Corporation and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Alliance Data Systems Corporation for the year ended December 31, 2015.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 25, 2016

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

I, Edward J. Heffernan, certify that:

1. I have reviewed this annual report on Form 10-K of Alliance Data Systems Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/S/ EDWARD J. HEFFERNAN

Edward J. Heffernan
Chief Executive Officer

Date: February 25, 2016

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

I, Charles L. Horn, certify that:

1. I have reviewed this annual report on Form 10-K of Alliance Data Systems Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/S/ CHARLES L. HORN

Charles L. Horn
Chief Financial Officer

Date: February 25, 2016

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION**

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2015 (the "Form 10-K") of Alliance Data Systems Corporation (the "Registrant").

I, Edward J. Heffernan, certify that to the best of my knowledge:

(i) the Form 10-K fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/S/ EDWARD J. HEFFERNAN

Edward J. Heffernan
Chief Executive Officer

Date: February 25, 2016

Subscribed and sworn to before me
this 25th day of February, 2016.

/S/ JANE BAEDKE

Name: Jane Baedke

Title: Notary Public

My commission expires:

October 23, 2016

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

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

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2015 (the "Form 10-K") of Alliance Data Systems Corporation (the "Registrant").

I, Charles L. Horn, certify that to the best of my knowledge:

(i) the Form 10-K fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/S/ CHARLES L. HORN

Charles L. Horn
Chief Financial Officer

Date: February 25, 2016

Subscribed and sworn to before me
this 25th day of February, 2016.

/S/ JANE BAEDKE

Name: Jane Baedke
Title: Notary Public

My commission expires:
October 23, 2016

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.
