Table of Contents

Index to Financial Statements

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, 2007

or

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

For the transition period from to

Commission file number 001-15749

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

Delaware	**31-1429215**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
17655 Waterview Parkway, Dallas, Texas	**75252**
(Address of Principal Executive Offices)	**(Zip Code)**

(972) 348-5100
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange

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

None
(Title of Class)

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments 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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ 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, 2007, the last business day of the registrant's most recently completed second fiscal quarter, 77,456,956 shares of common stock were outstanding and the aggregate market value of the common stock held by non-affiliates of the registrant on that date was approximately $6.0 billion (based upon the closing price on the New York Stock Exchange on June 30, 2007 of $77.40 per share). Aggregate market value is estimated solely for the purposes of this report. This shall not be construed as an admission for the purposes of determining affiliate status.

As of February 22, 2008, 79,134,089 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 2008 Annual Meeting of our stockholders which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2007.

Table of Contents

Index to Financial Statements

ALLIANCE DATA SYSTEMS CORPORATION

INDEX

Caution Regarding Forward-Looking Statements

This Form 10-K and the documents incorporated by reference herein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may use words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “predict,” “project”, and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management’s beliefs and assumptions, using information currently available to us. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed in the “Risk Factors” section in Item 1A of this Form 10-K and elsewhere in this Form 10-K and the documents incorporated by reference in this Form 10-K.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements contained in this Form 10-K reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. These risks, uncertainties and assumptions include those made with respect to and any developments related to the proposed merger of the Company with an affiliate of The Blackstone Group, including the risk that conditions to closing, including the condition relating to regulatory approvals, may not be satisfied and that the proposed merger may not be consummated, as well as risks and uncertainties arising from actions that the parties to the related merger agreement or others may take in response to the filing or outcome of any litigation with respect to the proposed merger. The Company cannot provide any assurance that the conditions to closing the proposed merger will be satisfied or that the transactions will be completed. We have no intention, and disclaim any obligation, to update or revise any forward-looking statements, whether as a result of new information, future results or otherwise, except as required by law.

PART I

Item 1. Business

Agreement and Plan of Merger

On May 17, 2007, we entered into an Agreement and Plan of Merger by and among Aladdin Solutions, Inc. (f/k/a Aladdin Holdco, Inc., "Parent"), Aladdin Merger Sub, Inc. ("Merger Sub") and the Company (the "Merger Agreement"). Under the terms of the Merger Agreement, Merger Sub will be merged with and into the Company, and as a result the Company will continue as the surviving corporation and a wholly-owned subsidiary of Parent (the "Merger"). Parent and Merger Sub were formed and are controlled by affiliates of The Blackstone Group. Under the terms of the Merger Agreement, at the effective time of the Merger, each outstanding share of common stock of the Company, other than shares owned by the Company, Parent, any subsidiary of the Company or Parent, or by any stockholders who are entitled to and who properly exercise appraisal rights under Delaware law, will be cancelled and converted into the right to receive $81.75 in cash, without interest. In addition, the Merger Agreement provides that the vesting and/or lapse of restrictions on substantially all stock options, restricted stock awards and restricted stock units will be accelerated at the effective time of the Merger and holders of such securities will receive consideration in accordance with the terms of the Merger Agreement. The Company will also accelerate the recognition of stock compensation expense resulting from the vesting of substantially all outstanding unvested stock options, restricted stock and restricted stock units in connection with the Merger. Consummation of the Merger is subject to closing conditions, including conditions relating to regulatory approvals. No assurances can be given that the conditions precedent to consummating the Merger will be satisfied or that the Merger will be consummated.

We filed our definitive proxy statement and proxy supplement with the SEC on July 5, 2007 and July 30, 2007, respectively, soliciting stockholder approval of the Merger Agreement, which was approved at a special meeting of our stockholders on August 8, 2007. We filed our Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, notification and report forms with the Federal Trade Commission and the Antitrust Division of the Department of Justice on June 1, 2007 and early termination of the applicable waiting period was granted on June 11, 2007. We filed a request for an advance ruling certificate ("ARC") regarding the Merger under the Competition Act (Canada) with the Canadian Commissioner of Competition on June 1, 2007 and received an ARC on June 7, 2007. We filed a notification under the German Act against Restraints of Competition, as amended with the German Federal Cartel Office on June 14, 2007. The waiting period under the German Competition Act expired on July 14, 2007. Parent filed the required notices with the Office of the Comptroller of the Currency ("OCC") on June 28, 2007. Parent also filed the required notices with the Federal Deposit Insurance Corporation ("FDIC") and the Utah Department of Financial Institutions, in each case on July 2, 2007.

On January 25, 2008, Parent informed us in a written notice that it does not anticipate the condition to closing the Merger relating to obtaining approvals from the Office of the Comptroller of the Currency will be satisfied.

On January 30, 2008, we filed a lawsuit against Parent and Merger Sub (together, the "Merger Entities"). The lawsuit, filed in the Delaware Court of Chancery, sought specific performance to compel the Merger Entities to comply with their obligations under the Merger Agreement, including their covenants to use reasonable best efforts to obtain required regulatory approvals and to consummate the Merger.

On February 8, 2008, we filed a motion to dismiss our lawsuit without prejudice in response to the Merger Entities' confirmation of their commitment to work to consummate the Merger. We are working with the Merger Entities to effect an acceptable solution to the unresolved regulatory issues. There can be no assurance, however, that an acceptable solution will be obtained or that the Merger will be completed.

Our Company

We are a leading provider of data-driven and transaction-based marketing and customer loyalty solutions. We offer a comprehensive portfolio of integrated outsourced marketing solutions, including customer loyalty programs, database marketing services, marketing strategy consulting, analytics and creative services, permission-based email marketing and private label retail credit card programs. We focus on facilitating and managing interactions between our clients and their customers through a variety of consumer marketing channels, including in-store, catalog, mail, telephone and on-line. We capture data created during each customer interaction, analyze the data and leverage the insight derived from that data to enable clients to identify and acquire new customers, as well as to enhance customer loyalty. We believe that our services are becoming increasingly valuable as companies continue to shift their marketing resources away from traditional mass marketing campaigns toward more targeted marketing programs that provide measurable returns on marketing investments.

Our clients are primarily large consumer-based businesses and include such well-known brands in North America as BMO Bank of Montreal, Citibank, Hilton, Bank of America, Victoria's Secret, Canada Safeway, Shell Canada, Amex Bank of Canada, J. Crew and Expedia. Our client base of more than 800 companies is diversified across a broad range of end-markets, including, among others, financial services, specialty retail, grocery and drugstore chains, petroleum retail, technology, hospitality and travel, media and pharmaceuticals. 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 led to long-standing client relationships.

We are the result of the 1996 merger of two entities acquired by Welsh, Carson, Anderson & Stowe: J.C. Penney's transaction services business, BSI Business Services, Inc., and Limited Brands, Inc.'s credit card bank operation, World Financial Network National Bank. In June 2001, we concluded the initial public offering of our common stock, which is listed on the New York Stock Exchange. During 2003, we completed two secondary public offerings whereby Limited Commerce Corp., which is a wholly owned subsidiary of Limited Brands and was our second largest stockholder, sold all of our shares of common stock it beneficially owned. During 2006, Welsh, Carson, Anderson & Stowe completed the distribution of its shares to its limited partners.

We continue to execute on our growth strategy through internal growth and acquisitions. In 2007, we entered into new arrangements for private label retail card services with Orchard Supply Hardware and Gardner-White. We also signed Labrador Liquor Corporation, Roins Financial Services Limited, Réno-Dépot and Vision Electronics as new sponsors in the AIR MILES® Reward Program. We signed new contracts with Tesco, EachNet, Charter Communications, and Helzberg Diamond to provide integrated email and marketing solutions. We also signed a multi-year agreement with 7-Eleven, Inc. to provide payment processing services, including authorization and settlement for debit and credit transactions, and prepaid card services.

We further expanded our relationships with several key clients, including the signing of a multi-year agreement with Redcats USA to provide integrated credit and marketing services, including co-branded credit card services to supplement Redcats USA's existing private label card program and co-branded credit card services to The Sportsman's Guide, a new client of Redcats USA. We also entered into an agreement with Williams-Sonoma, Inc. (to launch a private label retail card program for the West Elm brand) and continue providing private label retail card services for the Pottery Barn brands. We also expanded our co-branded credit card services with Fortunoff.

We also completed significant AIR MILES Reward Program sponsor renewals in 2007 with A&P Canada, Goodyear Canada, Forzani Group, Ltd. and Katz Group Canada's Rexall and Pharma Plus pharmacies. We also renewed contracts with Alon USA for integrated private label card services and Truckee Meadows Water Authority to provide customer care solutions as well as to provide bill print and payment solutions.

In February 2007, we continued to expand our marketing services offering with the acquisition of Abacus, formerly a division of DoubleClick Inc., and a leading provider of data and multi-channel direct marketing services. In November 2007, we sold our Mail Services business. The sale allows us to increase our focus on the capabilities, technologies and businesses that more closely align with our strategy.

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

Our Market Opportunity and Growth Strategy

We intend to enhance our position as a leading provider of targeted, data-driven and transaction-based marketing and loyalty solutions and to continue our growth in revenue and earnings by pursuing the following strategies:

- *Capitalize on our Leadership in Targeted and Data-Driven Consumer Marketing.* We intend to continue to capitalize on the ongoing shift away from traditional mass marketing campaigns to targeted and data-driven marketing programs with measurable return on investment. As consumer companies initiate or expand their targeted and transaction-based 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 peers with more limited service offerings. We seek to extend our leadership position in the transaction-based and targeted marketing services sector by continuing to improve the breadth and quality of our products and services. We also intend to enhance our leadership position in loyalty programs by expanding the scope of the AIR MILES Reward Program and by continuing to develop stand-alone loyalty programs such as the *Hilton HHonors Program* and the *Citi Thank You Network*. We believe that building on our market leadership will enable us to benefit from the anticipated growth in demand for targeted marketing strategies.
- *Sell More Fully Integrated End-to-End Marketing Solutions.* In our U.S. marketing business (Epsilon), we have assembled what we believe is the industry's most comprehensive suite of targeted and data-driven marketing services, including marketing strategy consulting, data services, database development and management, marketing analytics, creative design and delivery services such as email communications. As a result of our acquisition of Abacus in February 2007, we are able to offer an end-to-end solution to clients, providing a significant opportunity to expand our relationships with existing clients, the majority of which do not currently purchase the full suite of services we offer. In addition, we further intend to integrate our product and service offerings across our business units so that we can provide clients in a broad range of industries with a comprehensive portfolio of targeted marketing solutions, including both coalition and individual loyalty programs, private label retail card programs and other transaction-based marketing solutions. By selling integrated solutions within and across our business units and 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.* We plan to grow our business by leveraging our core competencies in the North American marketplace to further penetrate international markets. 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 international expansion will provide us with strong revenue growth opportunities.
- *Optimize our Business Portfolio.* We will 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. We have a strong track record of identifying and integrating such targeted acquisitions.

Products and Services

Our products and services are reported under three segments—Marketing Services, Credit Services, and Transaction Services. We have traditionally marketed and sold our products and services on a stand-alone basis but increasingly market and sell them on an integrated basis. Our products and services are listed below. Financial information about our segments and geographic areas appears in Note 21 of our consolidated financial statements.

Segment	Products and Services
Marketing Services	• Loyalty Programs —Coalition loyalty —Stand alone loyalty • Marketing Services —Analytical services —Strategic consulting and creative services —Proprietary data services —Database marketing services —Interactive communications
Credit Services	• Private Label Receivables Financing —Underwriting and risk management —Receivables funding
Transaction Services	• Processing Services —New account processing —Billing and payment processing —Remittance processing —Customer care • Utility Services —Customer information system hosting —Billing and payment processing —Customer care • Merchant Services —Point-of-Sale Services —Merchant bankcard services

Marketing Services

Our clients are focused on targeting, acquiring and retaining loyal and profitable customers. We create and manage targeted marketing programs that result in securing more frequent and sustained customer behavior. We utilize the information gathered through our loyalty and targeted marketing programs to help our clients design and implement effective marketing programs. Our clients within this segment include financial services providers, supermarkets, petroleum retailers, specialty retailers and pharmaceutical companies. BMO Bank of Montreal, the largest Marketing Services client in 2007, represented approximately 21.5% of this segment's 2007 revenue.

Coalition Loyalty. Our AIR MILES Reward Program is the largest coalition loyalty program in Canada with over 120 participating sponsors participating in the program. The AIR MILES Reward Program enables consumers to earn AIR MILES reward miles, which operate as points, as they shop within a range of retailers and other sponsors participating in the AIR MILES Reward Program. We believe that one of the reasons our AIR MILES Reward Program is so popular with consumers, as evidenced by the approximately 70% participation rate

for Canadian households, is that consumers are able to rapidly accumulate AIR MILES reward miles across a significant portion of their everyday spending.

We deal with three primary parties in connection with our AIR MILES Reward Program: sponsors, collectors and suppliers.

Sponsors. Our AIR MILES Reward Program has more than 120 brand name sponsors participating in the program such as Canada Safeway, Shell Canada, Jean Coutu, Amex Bank of Canada and BMO 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, for which we provide all marketing, customer service and rewards and redemption management. We typically grant participating sponsors exclusivity in their category, which allows them to realize incremental sales and increase their market share as a result of their participation in the AIR MILES Reward Program coalition.

Collectors. Consumers participating in the AIR MILES Reward Program, who we refer to as collectors, earn AIR MILES reward miles at over 10,000 retail and service locations, in addition to the many locations where collectors can use certain cards issued by BMO Bank of Montreal and Amex Bank of Canada. 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 by shopping at participating sponsors.

Suppliers. We enter into supply agreements with suppliers of rewards to the program such as airlines, movie theaters and manufacturers of consumer electronics. We obtain rewards from over 300 suppliers who utilize the AIR MILES Reward Program as an additional distribution channel for their products. Suppliers include such well-recognized companies as Apple, Starbucks, Sony and Air Canada.

U.S Marketing Services. Our Epsilon business is a leader in providing integrated direct marketing solutions that combine database marketing technology and analytics with a broad range of direct marketing services. We offer customer management and loyalty solutions by utilizing data, database technologies, analytics and delivery platforms to maximize the value and loyalty of our clients' customers and assist our clients in acquiring new customers. Our marketing programs target and reach individual consumers and provide a measurable return on our clients' marketing investments. As a result of our acquisition of Abacus, in February 2007, we have become the industry leader in providing customer acquisition and retention solutions through cooperative databases that contain consumer transactional data from more than 1,500 multi-channel catalogers, retailers, on-line merchants and business-to-business marketers. We also operate what we believe is the world's largest permission-based email marketing platform. We offer our clients a full end-to-end solution, including marketing strategy consulting, data services, database development and management, marketing analytics, creative design and delivery services such as email communications, which we believe provides us with a competitive advantage over other marketing services providers with more limited service offerings. Epsilon has over 500 clients, primarily in the financial services, specialty retail, hospitality and pharmaceutical end-markets.

Analytical Services. We provide behavior-based, demographic and attitudinal segmentation; acquisition, attrition, cross-sell and up-sell, retention, loyalty and value predictive modeling; and program evaluation, testing and measurement across our integrated marketing services.

Strategic Consulting and Creative. We provide consulting services that analyze our client's business, brand and/or product strategy to create customer campaigns and sales channel strategies and tactics designed to further optimize our clients' customer relationships and marketing return on investment. We also provide direct marketing program design, development and management; campaign design and execution; value proposition and business case development; concept development and creative media consulting; print, imaging and personalization services; data processing services; fulfillment services; and mailing services.

Proprietary Data Services. We provide various data services that are essential to making informed marketing decisions. Together with our clients, we utilize this data to develop highly targeted, individualized marketing programs that build stronger customer relationships and increase response rates in marketing programs.

Marketing Database Services. We provide design and management of outsourced loyalty programs, integrated marketing databases; customer and prospect data integration and data hygiene; campaign management and marketing application integration; and web design and development.

Interactive Communications. We provide strategic, permission-based email communication solutions and marketing technologies. Our end-to-end suite of industry specific products and services includes scalable email campaign technology, delivery optimization, marketing automation tools, turnkey integration solutions, strategic consulting and creative expertise to produce email programs that generate measurable results throughout the customer lifecycle.

Credit Services

Our Credit Services segment provides risk management solutions, account origination and funding services for our more than 85 private label retail card programs. Through these programs, we managed approximately $3.9 billion in average receivables from approximately 23 million active accounts for the year ended December 31, 2007, with an average balance during that period of approximately $360 for accounts with outstanding balances. We process millions of credit applications each year using automated proprietary scoring technology and verification procedures to make risk-based origination decisions when approving new cardholders and establishing their credit limits. These procedures help us segment prospects into narrower ranges within each risk score provided by credit bureaus, allowing us to better evaluate individual credit risk and tailor our risk-based pricing accordingly. Our cardholders tend to be middle- to upper-income individuals, in particular 35 to 49 year-old married females who use our cards primarily as brand affinity tools rather than pure financing instruments, which has resulted in lower average balances than on general purpose credit cards. We focus our sales efforts on prime borrowers and do not target sub-prime borrowers.

We utilize a securitization program as our primary funding vehicle for private label retail card receivables. Securitizations involve the packaging and selling of both current and future receivable balances of credit card accounts to a special purpose entity that then sells them to a master trust. Our securitizations are treated as sales for accounting purposes and, accordingly, the receivables are removed from our balance sheet. We retain an ownership interest in the receivables, which is commonly referred to as a seller’s interest, and a residual interest in the trust, which is commonly referred to as an interest-only strip. As of December 31 2007, Intimate Brands and Redcats accounted for approximately 18.9% and 14.0%, respectively, of the receivables in the trust portfolio.

Transaction Services

We facilitate and manage transactions between our clients and their customers through our scalable processing systems.

Processing Services. We assist clients in extending their brand with a private label or co-branded credit card that can be used by customers at the clients’ store locations, catalogs or on-line. We provide service and maintenance to our clients’ private label credit and co-branded card programs and assist our clients in acquiring, retaining and managing valuable repeat customers. Our Transaction Services segment performs processing services for our Credit Services segment in connection with that segment’s private label credit card and co-branded programs. These inter-segment services accounted for 47.4% of Transaction Services revenue in 2007. We have developed a proprietary private label credit card system designed specifically for retailers that has

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

We use automated technology for bill preparation, printing and mailing, as well as offer consumers the ability to view, print and pay their bills on-line. By doing so, we improve the funds availability for both our clients and for those private label credit card receivables that we own or securitize. Our customer care operations are influenced by our retail heritage. We focus our training programs in all areas to achieve the highest possible standards. We monitor our performance by conducting surveys with our clients and their customers. Our call centers are equipped to handle phone, mail, fax and on-line inquiries. We also provide collection activities on delinquent accounts to support our retail private label credit card programs.

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

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

Merchant Services. We are a provider of transaction processing services with an emphasis on the U.S. petroleum retail industry. We have built a network that enables us to process virtually all electronic payment types including credit card, debit card, prepaid card, gift card, electronic benefits and check transactions.

Safeguards to Our Business; Disaster and Contingency Planning

We operate multiple data processing centers to process and store our customer transaction data. Given the significant amount of data that we manage, much of which is real-time data to support our clients' commerce initiatives, we have established redundant capabilities for our data centers. We have a number of safeguards in place that are designed to protect our company 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 business unit of our business. We currently have seven patent applications pending with the U.S. Patent and Trademark Office and two international applications. 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 in Argentina, New Zealand, the European Union, Peru, Venezuela, Brazil, Great Britain, Australia, China, Hong Kong, Japan and Singapore.

Effective protection of intellectual property rights may be unavailable or limited in some countries. The laws of some countries do not protect our proprietary rights to the same extent as in the United States and Canada. We are the exclusive Canadian licensee of the AIR MILES family of trademarks pursuant to a 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 unit.

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.

Marketing Services. As a provider of marketing services, we generally compete with advertising and other promotional and loyalty programs, both traditional and on-line, for a portion of a client's total marketing budget. In addition, we compete against internally developed products and services created by our existing and potential clients. For each of our marketing services, we expect competition to intensify as more competitors enter our market. Competitors with our AIR MILES Reward Program may target our sponsors and collectors as well as draw rewards from our rewards suppliers. Our ability to generate significant revenue from clients and loyalty partners will depend on our ability to differentiate ourselves through the products and services we provide and the attractiveness of our loyalty and rewards programs to consumers. The continued attractiveness of our loyalty and rewards programs will 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. Intensifying competition may make it more difficult for us to do this.

Our Epsilon business generally competes with advertising and other promotional programs, both traditional and on-line. In addition, Epsilon competes against internally developed products and services created by our existing clients and others. For each of our marketing services, 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 customer relationship management 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.

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

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

Regulation

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

World Financial Network National Bank and World Financial Capital Bank must maintain minimum amounts of regulatory capital. If World Financial Network National Bank or World Financial 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. World Financial Capital Bank, as an institution insured by the FDIC, must maintain certain capital ratios, paid-in capital minimums and adequate allowances for loan losses. World Financial Network National Bank must meet specific guidelines that involve measures and ratios of its assets, liabilities, regulatory capital, interest rate exposure and certain off-balance sheet items under regulatory accounting standards, among other factors. Under the National Bank Act, if the capital stock of World Financial Network National Bank is impaired by losses or otherwise, we, as the sole shareholder, may be assessed the deficiency. To the extent necessary, if a deficiency in capital still exists, the FDIC may be appointed as a receiver to wind up World Financial Network National Bank's affairs.

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

As part of an acquisition in 2003 by World Financial Network National Bank, which required approval by the OCC, the OCC required World Financial Network National Bank to enter into an operating agreement with it and a capital adequacy and liquidity maintenance agreement with us. The operating agreement requires World Financial Network National Bank to continue to operate in a manner consistent with its current practices, regulatory guidelines and applicable law, including those related to affiliate transactions, maintenance of capital and corporate governance. This operating agreement has not required any changes in World Financial Network National Bank's operations. The capital adequacy and liquidity maintenance agreement memorializes our current obligations to World Financial Network National Bank.

We are limited under Sections 23A and 23B of the Federal Reserve Act in the extent to which we can borrow or otherwise obtain credit from or engage in other "covered transactions" with World Financial Network National Bank or World Financial Capital Bank, which may have the effect of limiting the extent to which World Financial Network National Bank or World Financial 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 World Financial Network National Bank or World Financial Capital Bank only on terms and under circumstances that are substantially the same, or at least as favorable to World Financial Network National Bank or World Financial 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 World Financial Network National Bank or World Financial 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 ("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. These laws and regulations mandate various disclosure requirements and regulate the manner in which we may interact with consumers. These and other laws also limit finance charges or other fees or charges earned in our activities. We conduct our operations in a manner that we believe excludes us from regulation as a consumer reporting agency under the Fair Credit Reporting Act. If we were deemed a consumer reporting agency, however, we would be subject to a number of additional complex regulatory requirements and restrictions.

A number of privacy regulations have been implemented in the United States, Canada, the European Union and China in recent years. These regulations place many new 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.

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. We also were required to develop an initial privacy notice and we are required to provide annual privacy notices to customers that describe in general terms our information sharing practices. If we intend to share nonpublic personal information about customers with nonaffiliated third parties, we must provide our customers with a notice and a reasonable period of time for each customer to "opt out" of any such disclosure.

In addition to the federal privacy laws with which we must comply, states also have adopted statutes, regulations or other measures governing the collection and distribution of 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.

Canada has likewise enacted privacy legislation known as the Personal Information Protection and Electronic Documents Act. This act requires organizations to obtain a consumer's consent to collect, use or disclose personal information. Under this act, which took effect on January 1, 2001, the nature of the required consent depends on the sensitivity of the personal information, and the act permits personal information to be used only for the purposes for which it was collected. Some 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.

Employees

As of December 31, 2007, we had approximately 9,800 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, current and special 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 web site 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 web site. Our web site is *www.AllianceData.com.* No information from this web site is incorporated by reference herein. These documents are posted to our web site 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 web site. These documents are available free of charge to any stockholder upon request.

We submitted the certification of the Chief Executive Officer required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, relating to our compliance with the NYSE's corporate governance listing standards, to the NYSE on June 26, 2007 with no qualification. In addition, we included the certifications of our Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 and related rules, relating to the quality of our public disclosure, in this Annual Report on Form 10-K as Exhibits 31.1 and 31.2.

Item 1A. Risk Factors

Risk Factors

Risks Related to Our Company

We cannot give any assurance that the Merger will be consummated.

Consummation of the Merger is subject to the satisfaction of various closing conditions. While certain of these conditions have been satisfied, including, among others, adoption of the Merger Agreement by a vote of two-thirds of the outstanding shares of our common stock, the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and issuance of a ruling under the Competition Act (Canada) or expiration, termination or waiver under that Act, there are still several conditions to closing that have not been satisfied, including obtaining required approvals from the FDIC, the OCC and the Utah Commissioner of Financial Institutions with respect to our banking operations and certain other customary closing conditions described in the Merger Agreement. We cannot guarantee that all of the conditions precedent to consummating the Merger will be satisfied or that the Merger will be successfully completed. On January 25, 2008, Aladdin Solutions, Inc. (f/k/a Aladdin Holdco, Inc.) informed us in a written notice that it did not anticipate the condition to closing the Merger relating to obtaining approvals from the OCC would be satisfied. In response to the notice and subsequent conversations with Aladdin Solutions, Inc.'s representatives, on January 30, 2008, we filed a lawsuit against Aladdin Solutions, Inc. and Aladdin Merger Sub, Inc., the acquisition entities formed by affiliates of The Blackstone Group to acquire us pursuant to the terms of the Merger Agreement, seeking specific performance to compel these entities to comply with their obligations under the Merger Agreement, including their covenants to use reasonable best efforts to obtain required regulatory approvals and to consummate the Merger. On February 8, 2008, we filed a motion to dismiss our lawsuit without prejudice in response to confirmation of these entities' commitment to work to consummate the Merger. Although we are working with these entities to effect an acceptable solution to the unresolved regulatory issues, there can be no assurance that an acceptable solution will be obtained or that the Merger will be completed.

In the event that the Merger is not completed:

- management's attention from our day-to-day business may be diverted;
- we may lose key employees;
- our relationships with customers and vendors may be disrupted as a result of uncertainties with regard to our business and prospects;
- we may be required to pursue legal action to enforce our rights under the Merger Agreement;
- we may be exposed to litigation claims from third parties relating to the failure to complete the Merger;
- we may be required to pay significant transaction costs related to the Merger; and
- the market price of shares of our common stock may decline to the extent that the current market price of those shares reflects a market assumption that the Merger will be completed.

Any such events could have a material negative impact on our results of operations and financial condition and could adversely affect our stock price.

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

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

- a board of directors classified into three classes of directors with the directors of each class having staggered, three-year terms;
- our board's authority to issue shares of preferred stock without further stockholder approval; and

- provisions of Delaware law that restrict many business combinations and provide that directors serving on staggered boards of directors, such as ours, may be removed only for cause.

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

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

As of February 22, 2008**,** we had an aggregate of 100,909,467 shares of our common stock authorized but unissued and not reserved for specific purposes. While we are currently restricted by the terms of the Merger Agreement, in general, we may issue all of these shares without any action or approval by our stockholders. We have reserved 21,003,000 shares of our common stock for issuance under our employee stock purchase plan and our long-term incentive plans, of which 5,212,133 shares are issuable upon vesting of restricted stock awards, restricted stock units, and upon exercise of options granted as of February 22, 2008, including options to purchase approximately 4,030,114 shares exercisable as of February 22, 2008 or that will become exercisable within 60 days after February 22, 2008. We have reserved for issuance 1,500,000 shares of our common stock, all of which remain issuable, under our 401(k) and Retirement Savings Plan. In addition, we may pursue acquisitions of competitors and related businesses and may issue shares of our common stock in connection with these acquisitions. Sales or issuances of a substantial number of shares of common stock, or the perception that such sales could occur, could adversely affect prevailing market prices of our common stock, and any sale or issuance of our common stock will dilute the percentage ownership held by our stockholders.

A limited number of stockholders report ownership of a significant amount of our common stock. These stockholders may have interests that conflict with yours and, if they were to act together, may be able to control the election of directors and the approval of significant corporate transactions, including a change in control.

Pursuant to the information provided in various filings with the SEC on Schedules 13D or 13G and amendments thereto, there are five separate groups of affiliated entities that beneficially own, in the aggregate, approximately 35% of our outstanding common stock. These stockholders, if acting together, may be able to exercise significant influence over matters requiring stockholder approval, including the election of directors, changes to our charter documents and significant corporate actions, including a change in control. These stockholders may have interests that conflict with our interests or those of other stockholders. This concentration of ownership may prevent any other holder or group of holders of our common stock from being able to affect the way we are managed or the direction of our business. Accordingly, this concentration of ownership could adversely affect the prevailing market price of our common stock.

Risks Related to General Business Operations

Our 10 largest clients represented 40.7% of our consolidated revenue in 2007, 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 40.7% of our consolidated revenue during the year ended December 31, 2007, with BMO Bank of Montreal representing approximately 10.2% of our 2007 consolidated revenue. A decrease in revenue from any of our significant clients for any reason, including a decrease in pricing or activity, or a decision to either utilize another service provider or to no longer outsource some or all of the services we provide, could have a material adverse effect on our consolidated revenue.

Marketing Services. Our 10 largest clients in this segment represented approximately 48.9% of our Marketing Services revenue in 2007. BMO Bank of Montreal represented approximately 21.5% of this segment's 2007 revenue. Our contract with BMO Bank of Montreal expires in 2009.

Credit Services. Our 10 largest clients and their customers in this segment represented approximately 84.5% of our Credit Services revenue in 2007. Intimate Brands and its retail affiliates represented approximately 20.9%, and Redcats represented approximately 12.4% of our Credit Services revenue in 2007. Our contracts with Intimate Brands and its retail affiliates expire in 2012, and our contract with Redcats expires in 2016.

Transaction Services. Our 10 largest clients in this segment represented approximately 45.8% of our Transaction Services revenue in 2007.

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. Many 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 business units also compete against in-house staffs of our current clients and others or internally developed products and services by our current clients and others. For example, as a result of increasing competitors in the loyalty market, including from the Aeroplan Program, one of Canada's largest loyalty marketing programs, we may experience greater competition in attracting and retaining sponsors in our AIR MILES Reward Program. 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 compete successfully against our current and potential competitors.

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

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

If we fail to identify suitable acquisition candidates, 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. While we believe that acquisitions will continue to be a key component of our growth strategy, our focus for 2008 is expected to be on organic growth. However, we may not be able to continue to locate and secure acquisition candidates on terms and conditions that are acceptable to us. If we are unable to identify attractive acquisition candidates, our growth could be impaired. There are several risks to acquisitions, including:

- the difficulty and expense that we incur in connection with the acquisition;
- adverse accounting consequences of 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 the failure to meet operating expectations of the acquired business; and
- the assumption of unknown liabilities of the acquired company.

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

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.

As part of our AIR MILES Reward Program, targeted marketing services programs and credit card programs, we maintain databases containing information on consumers' account transactions. Our databases may be subject to unauthorized access. If we experience a security breach, the integrity of our databases could be affected. Security and privacy concerns may cause consumers to resist providing the personal data necessary to support our profiling capability. The use of our loyalty, marketing services or credit card programs could decline if any compromise of security occurred. In addition, any unauthorized release of consumer information, or any public perception that we released consumer information without authorization, could subject us to legal claims from consumers or regulatory enforcement actions and adversely affect our client relationships.

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

A significant portion of our revenue is derived from our operations in Canada, which transact business in Canadian dollars. Therefore, our reported financial information from quarter-to-quarter will be affected by changes in the exchange rate between the U.S. and Canadian dollars over the relevant periods. We do not hedge any of our exchange rate exposure in our Canadian operations.

The Canadian dollar has been trading at historically high rates against the U.S. dollar in recent periods. If the Canadian dollar were to decline in value in subsequent periods, our operating results would be negatively impacted and we would not have the benefit of the favorable revenue impact we have experienced in recent periods as a result of the strength of the Canadian dollar.

The hedging activity related to our securitization trusts and our floating rate indebtedness subjects us to off-balance sheet counterparty risks relating to the creditworthiness of the commercial banks with whom we enter into hedging transactions.

In order to execute hedging strategies related to the securitization trusts and our floating rate indebtedness, we have entered into interest rate derivative contracts with commercial banks. These banks are considered counterparties. It is our policy to enter into such contracts with counterparties that are deemed to be creditworthy. However, if macro- or micro-economic events were to negatively impact these banks, the banks might not be able to honor their obligations either to us or to the securitization trusts and we might suffer a direct loss or a loss related to our residual interest in the securitization trusts.

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 may also result in limitations on our ability to use the intellectual property subject to these claims. 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.

Loss of data center capacity, interruption 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 to protect our data centers against damage or inoperability from fire, power loss, 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 and periodically expand and upgrade our database capabilities. Any damage to our data centers, any failure of our telecommunication links that interrupts our operations or any impairment of our ability to use our software or the proprietary software of third party vendors, including impairments due to virus attacks, could adversely affect our ability to meet our clients' needs and their confidence in utilizing us for future services.

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

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

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 the company's suppliers to deliver products and services in sufficient quantities and in a timely manner could adversely affect the company's 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.

Risks Particular to Marketing Services

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 unredeemed AIR MILES reward miles is known as "breakage" in the loyalty industry. AIR MILES reward miles currently do not expire. We experience breakage when AIR MILES reward miles are not redeemed by collectors for a number of reasons, including:

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

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

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

Our most active AIR MILES Reward Program collectors drive a disproportionate 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.

Legislation relating to consumer privacy may affect our ability to collect data that we use in providing our 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 arising from public concern over consumer privacy issues could have a material adverse impact on our marketing services. Legislation or industry regulations regarding consumer 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. In addition to the United States and Canadian regulations discussed below, we have recently 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 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. Regulations under this act 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. This act could limit our ability to provide services and information to our clients. Failure to comply with the terms of this act could have a negative impact on our reputation and subject us to significant penalties.

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

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

Risks Particular to Credit Services

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

Since January 1996, we have sold a majority of the credit card receivables originated by World Financial Network National Bank to WFN Credit Company, LLC and WFN Funding Company II, LLC, which in turn sold them to World Financial Network Credit Card Master Trust, World Financial Network Credit Card Master Note Trust and World Financial Network Credit Card Master Trust III (the "WFN Trusts") as part of our securitization program. This securitization program is the primary vehicle through which we finance World Financial Network National Bank's credit card receivables. If World Financial Network National Bank were not able to regularly securitize the receivables it originates, our ability to grow or even maintain our Retail business would be materially impaired. World Financial Network National Bank's ability to effect securitization transactions is affected by the following factors, some of which are beyond our control:

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

In the second half of 2007, conditions in the securities market in general and the asset-backed securitization market in particular deteriorated significantly. If these conditions persist, deteriorate further or recur in the future, World Financial Network National Bank may not be able to securitize the receivables it originates on terms similar to those it has received historically, or at all. In particular, we have approximately $600.0 million of asset-backed notes that will become due in the second quarter of 2008. Our ability to refinance these notes on favorable terms or at all will depend upon our ability to continue to securitize our receivables, which will depend upon the conditions in the securities market at the time, as well as the other factors described above.

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

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

The primary risk associated with unsecured consumer lending is the risk of default or bankruptcy of the borrower, resulting in the borrower's balance being charged-off as uncollectible. We rely principally on the customer's creditworthiness for repayment of the loan and therefore have no other recourse for collection. We may not be able to successfully identify and evaluate the creditworthiness of cardholders to minimize delinquencies and losses. An increase in defaults or net charge-offs beyond historical levels will reduce the net spread available to us from the securitization master trust and could result in a reduction in finance charge income or a write-down of the interest-only strip, our retained interest in the securitization program represented in our consolidated balance sheets as due from securitization. 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, our delinquency and net credit card receivable charge-off rates are affected by the credit risk of our credit card receivables and the average age of our various credit card account portfolios. The average age of our credit card receivables affects the stability of delinquency and loss rates of the portfolio. An older credit card portfolio generally drives a more stable performance in the portfolio. As of December 31, 2007, 60.5% of the total number of our securitized accounts with outstanding balances and 62.7% of the amount of our outstanding securitized receivables were for accounts with origination dates greater than 24 months old. For the year ended December 31, 2007, our managed receivables net charge-off ratio was 5.8% compared to 5.0% and 6.5% for the same period in 2006 and 2005, respectively. Our pricing strategy may not offset the negative impact on profitability caused by increases in delinquencies and losses. Any material increases in delinquencies and losses beyond our current estimates could have a materially adverse impact on us and the value of our net retained interests in loans that we sell through securitizations.

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

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

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

Interest Rate Risk. Interest rate risk affects us directly in our lending and borrowing activities. Our total interest incurred was approximately $248.1 million for 2007, which includes both on-and off-balance sheet

transactions. Of this total, $80.2 million of the interest expense for 2007 was attributable to on-balance sheet indebtedness and the remainder was attributable to our securitized credit card receivables, which are financed off-balance sheet. To manage our risk from market interest rates, we actively monitor the interest rates and the interest sensitive components both on- and off-balance sheet to minimize the impact that changes in interest rates have on the fair value of assets, net income and cash flow. To achieve this objective, we manage our exposure to fluctuations in market interest rates by matching asset and liability repricings and through the use of fixed-rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. In addition, we enter into derivative financial instruments such as interest rate swaps and treasury locks to mitigate our interest rate risk on a related financial instrument or to lock the interest rate on a portion of our variable debt. We do not enter into derivative or interest rate transactions for trading or other speculative purposes. At December 31, 2007, we had $4.8 billion of debt, including $3.5 billion of off-balance sheet debt from our securitization program.

	As of December 31, 2007		
	Fixed rate	Variable rate	Total
		(In millions)	
Off-balance sheet	$ 2,050.0	$ 1,438.4	$ 3,488.4
On-balance sheet	909.5	421.0	1,330.5
Total	$ 2,959.5	$ 1,859.4	$ 4,818.9

- At December 31, 2007, our fixed rate off-balance sheet debt was locked at a current effective interest rate of 4.3% through interest rate swap agreements.
- At December 31, 2007, our fixed rate on-balance sheet debt was subject to fixed rates with a weighted average interest rate of 5.5%.

A 1.0% increase in interest rates would result in an estimated decrease to pretax income of approximately $10.0 million related to our debt. The foregoing sensitivity analysis is limited to the potential impact of an interest rate increase of 1.0% on cash flows and fair values, and does not address default or credit risk.

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

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 who do not currently offer a private label or co-branded retail card. Although we believe our pricing and models for determining credit risk are designed to evaluate the credit risk of existing programs and the credit risk we are willing to assume for acquired and start-up programs, we cannot assure you that the loss experience on acquired and start-up programs will be consistent with our more established programs. The failure to successfully underwrite these credit card programs may result in defaults greater than our expectations and could have a materially adverse impact on us and the value of our net retained interests in receivables securitized.

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

Various federal and state laws and regulations significantly limit the retail credit services activities in which we are permitted to engage. Such laws and regulations, among other things, limit the fees and other charges that we can impose on 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 materially adverse effect on our profitability or further restrict the manner in which we conduct our activities. The failure to comply with, or adverse changes in, the laws or regulations to which our business is subject, or adverse changes in their interpretation, could have a materially adverse effect on our ability to collect our receivables and generate fees on the receivables, thereby adversely affecting our profitability.

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

If either of our depository institution subsidiaries failed to meet the criteria for the exemption from the definition of "bank" in the Bank Holding Company Act under which it operates (which exemptions are described below), and if we did not divest such depository institution upon such an occurrence, we would become subject to regulation under the Bank Holding Company Act. This would require us to cease certain of our activities that are not permissible for companies that are subject to regulation under the Bank Holding Company Act. One of our depository institution subsidiaries, World Financial Network National Bank, is a limited-purpose national credit card bank located in Ohio. World Financial Network National 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.

Our other depository institution subsidiary, World Financial Capital Bank, is a Utah industrial bank that is authorized to do business by the State of Utah and the FDIC. World Financial 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 that 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.

If our industrial bank fails to meet the requirements of the FDIC or State of Utah, we may be subject to termination of our industrial bank.

Our industrial bank, World Financial Capital Bank, is authorized to do business by the State of Utah and the FDIC. World Financial Capital Bank is subject to capital ratios and paid-in capital minimums and must maintain adequate allowances for loan losses. If World Financial Capital Bank fails to meet the requirements of the FDIC or the State of Utah, it may be subject to termination as an industrial bank.

Risks Particular to Transaction Services

In 2007, our Transaction Services segment derived approximately 47.4% of its revenue from servicing cardholder accounts for the Credit Services segment. If the Credit Services segment suffered a significant client loss, our revenue and profitability attributable to the Transaction Services segment could be materially and adversely affected.

Our Transaction Services segment performs card processing and servicing activities for cardholder accounts generated by our Credit Services segment. During 2007, our Transaction Services segment derived $357.4 million, or 47.4% of its revenues, from these services for our Credit Services segment. The financial performance of our Transaction Services segment, therefore, is linked to the activities of our Credit Services segment. If the Credit Services segment were to lose a significant client, our revenue and profitability attributable to the Transaction Services segment could be materially and adversely affected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2007, we leased approximately 70 general office properties worldwide, comprising over 2.6 million square feet. These facilities are used to carry out our operational, sales and administrative functions. Our principal facilities are as follows:

Location	Segment	Approximate Square Footage	Lease Expiration Date
Dallas, Texas	Corporate, Transaction Services	230,061	October 31, 2010
Dallas, Texas	Corporate	61,750	July 31, 2017
Columbus, Ohio	Corporate, Credit Services	205,964	November 30, 2017
Columbus, Ohio	Transaction Services	103,161	January 31, 2014
Westerville, Ohio	Transaction Services	100,800	May 31, 2011
Toronto, Ontario, Canada	Marketing Services	176,566	September 30, 2017
Toronto, Ontario, Canada	Marketing Services	16,124	October 31, 2014
New York, New York	Marketing Services	50,648	January 31, 2018
Wakefield, Massachusetts	Marketing Services	96,726	April 30, 2013
Irving, Texas	Marketing Services	75,000	June 30, 2018
Thornton, Colorado	Marketing Services	6,100	January 30, 2012
Lafayette, Colorado	Marketing Services	80,132	April 30, 2016
Earth City, Missouri	Marketing Services	116,783	September 30, 2012

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

We are aware of litigation arising from what were originally four lawsuits filed against the Company and its directors in connection with the Merger. On May 18, 2007, Sherryl Halpern filed a putative class action (cause no. 07-04689) on behalf of Company stockholders in the 68th Judicial District of Dallas County, Texas against the Company, all of its directors and The Blackstone Group (the “Halpern Petition”). On May 21, 2007, Levy Investments, Ltd. (“Levy”) filed a purported derivative lawsuit (cause no. 219-01742-07) on behalf of the Company in the 219th Judicial District of Collin County, Texas against all of the Company’s directors and The Blackstone Group (the “Levy Petition”) (this suit was subsequently transferred to the 296th Judicial District of Collin County, Texas and assumed the cause no. 296-01742-07). On May 29, 2007, Linda Levine filed a putative

class action (cause no. 07-05009) on behalf of Company stockholders in the 192nd Judicial District of Dallas County, Texas against the Company and all of its directors (the "Levine Petition"). On May 31, 2007, the J&V Charitable Remainder Trust filed a putative class action (cause no. 07-05127-F) on behalf of Company stockholders in the 116th Judicial District of Dallas County, Texas against the Company, all of its directors and The Blackstone Group (the "J&V Petition").

The three putative class actions were consolidated in the 68th Judicial District Court of Dallas County, Texas (the "Court") under the caption In re Alliance Data Corp. Class Action Litigation, No. 07-04689. On July 16, 2007, a consolidated class action petition was filed seeking a declaration that the action was a proper class action, an order preliminarily and permanently enjoining the Merger, a declaration that the director defendants breached their fiduciary duties and an award of fees, expenses and costs. The Company and its directors filed general denials in response to the putative class actions.

The derivative action filed by Levy was voluntarily dismissed and refiled in Dallas County (cause no. 07-06794), and was subsequently transferred to the Court. On July 18, 2007, Levy filed an amended derivative petition seeking an injunction preventing consummation of the Merger, an order directing the director defendants to exercise their fiduciary duties to obtain a transaction beneficial to the Company and its stockholders, a declaration that the Merger Agreement was entered into in breach of the director defendants' fiduciary duties and is unlawful and unenforceable, an order rescinding the Merger Agreement, the imposition of a constructive trust upon any benefits improperly received by the director defendants and an award of costs and disbursements, including reasonable attorneys' and experts' fees. On July 24, 2007, the Company and its directors filed their Motion to Abate, Plea to the Jurisdiction and Special Exceptions to the derivative action.

On July 12, 2007, class plaintiffs filed a motion to enjoin the scheduled August 8, 2007 special meeting of stockholders at which stockholders would be asked to vote to adopt the Merger Agreement. On July 20, 2007, Levy filed a motion reflecting its similar demand. On July 27, 2007, the Company and its directors filed an opposition brief to both motions. The Company continued to deny all of the allegations in the consolidated class action petition and the amended derivative petition, contended that the asserted claims were baseless and strongly believed that its disclosures in the Company's definitive proxy statement filed with the SEC on July 5, 2007 (the "Definitive Proxy") were appropriate and adequate under applicable law. Nevertheless, in order to lessen the risk of any delay of the closing of the Merger as a result of the litigation, the Company made available to its stockholders certain additional information in connection with the Merger, which was filed with the SEC on July 27, 2007 and subsequently mailed to stockholders on or about July 28, 2007 (the "Proxy Supplement"). Class action and derivative plaintiffs subsequently withdrew their motions to enjoin the August 8, 2007 special meeting of stockholders.

Subsequently, on August 7, 2007, Levy filed an Application for Attorneys' Fees, stating that the substantive issues in the case had been resolved and seeking $750,000 in attorney's fees. Levy alleged that its lawsuit caused the Company to issue the Proxy Supplement, which, Levy contended, contained material disclosures critical to the stockholders' assessment of the fairness of the Merger. Levy filed a Second Amended Petition and Amended Application for Attorney's Fees on October 25, 2007, replacing Levy Investments with Yona Levy as plaintiff. In late December 2007, the parties reached a tentative settlement wherein the Company agreed to pay derivative plaintiffs' counsel $290,000 as consideration for their contribution to the issuance of the Proxy Supplement. The settlement includes a mutual release between the Company and Yona Levy, in his individual capacity and in his derivative capacity as a stockholder of the Company. An order approving the settlement and a judgment dismissing the derivative claims were entered on January 31, 2008.

On August 14, 2007, class plaintiffs filed a Second Amended Petition, in which they withdrew all prior claims but added a claim for an equitable award of attorney's fees. Similar to Levy, class plaintiffs allege that their lawsuits caused the Company to issue the Proxy Supplement, and that the supplement constituted a benefit to the Company, its directors and stockholders for which class plaintiffs' attorneys should be compensated. In mid-December 2007, the parties reached a tentative settlement wherein the Company agreed to pay class

plaintiffs' counsel $380,000 as consideration for their contribution to the issuance of the Proxy Supplement. The parties are in the process of finalizing a stipulation of settlement, which must be approved by the Court.

We continue to contend that the disclosures in the Definitive Proxy were appropriate and adequate, and that we made the Proxy Supplement available to stockholders solely to lessen the risk of any delay of the closing of the Merger as a result of the litigation. We deny that the Proxy Supplement contained any material disclosures or constituted any benefit to the Company, its directors or its stockholders.

On January 30, 2008, we filed a lawsuit in the Delaware Court of Chancery against Aladdin Solutions, Inc. (f/k/a Aladdin Holdco, Inc.) and Aladdin Merger Sub, Inc. seeking specific performance of their respective obligations under the Merger Agreement, including covenants to use reasonable best efforts to obtain required regulatory approvals and to consummate the Merger. This lawsuit was filed in response to a written notice we received on January 25, 2008 from Aladdin Solutions, Inc. informing us that it did not anticipate the condition to closing the Merger relating to obtaining approvals from the Office of the Comptroller of the Currency would be satisfied. On February 8, 2008, we filed a notice to dismiss the lawsuit without prejudice in response to confirmation of the defendants' commitment to work to consummate the Merger.

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

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

There were no matters submitted to a vote of the security holders during the fourth quarter of 2007.

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 and trades under the symbol "ADS." The following table sets forth for the periods indicated the high and low composite per share prices as reported by the New York Stock Exchange.

	High	Low
Fiscal Year Ended December 31, 2006		
First quarter	$ 47.21	$ 35.98
Second quarter	59.75	45.34
Third quarter	61.40	47.45
Fourth quarter	66.07	54.34
Fiscal Year Ended December 31, 2007		
First quarter	$ 68.10	$ 56.78
Second quarter	80.30	61.15
Third quarter	79.60	70.88
Fourth quarter	80.79	63.65

Holders

As of February 22, 2008, the closing price of our common stock was $51.36 per share, there were 79,134,089 shares of our common stock outstanding, and there were approximately 60 holders of record of our common stock.

Dividends

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

Issuer Purchases of Equity Securities

During 2005 and 2006 our Board of Directors authorized three stock repurchase programs to acquire up to an aggregate of $900.0 million of our outstanding common stock through December 2008, as more fully described in the footnote to the table below. As of December 31, 2007, we had repurchased 8,605,552 shares of our common stock for approximately $403.3 million under these programs. The following table presents information with respect to those purchases of our common stock made during the three months ended December 31, 2007:

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][3] (In millions)
During 2007:				
October	3,831	$ 78.58	—	$ 496.7
November	3,913	81.09	—	496.7
December	2,410	71.90	—	496.7
Total	10,154	$ 77.96	—	$ 496.7

(1) During the period represented by the table, 10,154 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 June 9, 2005, we announced that our Board of Directors authorized a stock repurchase program to acquire up to $80.0 million of our outstanding common stock through June 2006. As of the expiration of the program, we acquired the full amount available under this program. On October 27, 2005, we announced that our Board of Directors authorized a second stock repurchase program to acquire up to an additional $220.0 million of our outstanding common stock through October 2006. On October 3, 2006, we announced that our Board of Directors authorized a third stock repurchase program to acquire up to an additional $600.0 million of our outstanding common stock through December 2008, in addition to any amount remaining available at the expiration of the second stock repurchase program. As of December 31, 2007, we had repurchased 8,605,552 shares of our common stock for approximately $403.3 million under these programs.

(3) Per the terms of the Merger Agreement, we agreed that from May 17, 2007 until the effective time of the Merger or the expiration or termination of the Merger Agreement, with certain exceptions, that we would not purchase any of our capital stock, which includes suspension of any repurchases under the third stock repurchase program or otherwise. Debt covenants in our credit facilities also restrict the amount of funds that we have available for repurchases of our common stock in any calendar year. The limitation for each calendar year was $200.0 million beginning with 2006, increasing to $250.0 million in 2007 and $300.0 million in 2008, conditioned on certain increases in our Consolidated Operating EBITDA as defined in the credit facilities.

Equity Compensation Plan Information

The following table provides information as of December 31, 2007 with respect to shares of our common stock that may be issued under the 2003 Long Term Incentive Plan, the Amended and Restated Stock Option Plan, the 2005 Long Term Incentive Plan, the Executive Annual Incentive Plan or the Amended and Restated Employee Stock Purchase Plan:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders	4,605,792	$ 33.98	4,206,964(1)
Equity compensation plans not approved by security holders	None	N/A	None
Total	4,605,792	$ 33.98	4,206,964

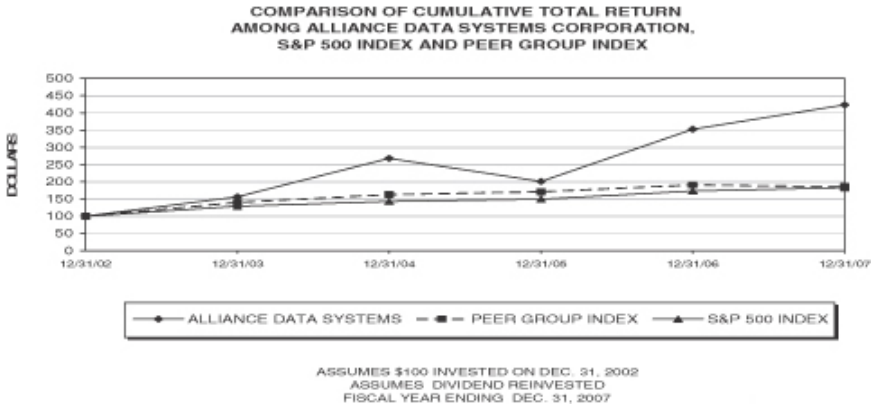
(1) Includes 812,345 shares available for future issuance under the Amended and Restated Employee Stock Purchase Plan. In accordance with the terms of the Merger Agreement, as of June 29, 2007, the Amended and Restated Employee Stock Purchase Plan was closed to further contributions. Per the terms of the Merger Agreement, we are only permitted to issue a limited amount of additional awards under these equity compensation plans.

Performance Graph

The following graph compares the yearly percentage change in cumulative total stockholder return on our common stock since December 31, 2002, with the cumulative total return over the same period of (1) the S&P 500 Index and (2) a peer group selected by us.

The companies in the peer group are Affiliated Computer Services, Inc., American Express Company, Acxiom Corporation, Capital One Financial Corporation, Fidelity National Information Services, Inc., Convergys Corporation, DST Systems, Inc., Fiserv, Inc., Global Payments Inc., Harte-Hanks, Inc., MasterCard, Incorporated, The Western Union Company, and Total Systems Services, Inc. We excluded First Data Corporation from our peer group as it was acquired by affiliates of Kohlberg Kravis Roberts & Co. and ceased trading on the New York Stock Exchange in September 2007.

Pursuant to rules of the SEC, the comparison assumes $100 was invested on December 31, 2002 in our common stock and in each of the indices and assumes reinvestment of dividends, if any. Also pursuant to SEC rules, the returns of each of the companies in the peer group are weighted according to the respective company's stock market capitalization at the beginning of each period for which a return is indicated. Historical stock prices are not indicative of future stock price performance.



	Alliance Data Systems Corporation	S&P 500	Peer Group
December 31, 2002	$ 100	$ 100	$ 100
December 31, 2003	156.21	128.68	139.78
December 31, 2004	267.95	142.69	162.43
December 31, 2005	200.90	149.70	170.59
December 31, 2006	352.54	173.34	190.68
December 31, 2007	423.19	182.87	185.94

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 financial information for the periods ended and as of the dates indicated. You should read the following historical financial information along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this Form 10-K. The fiscal year financial information included in the table below for the years ended December 31, 2007, 2006, and 2005, respectively, is derived from audited financial statements. Information for the years ended December 31, 2004 and 2003 can be found in our previously filed Annual Reports on Form 10-K.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(In thousands, except per share amounts)				
Income statement data					
Total revenue	$ 2,291,189	$ 1,998,742	$ 1,552,437	$ 1,257,438	$ 1,046,544
Cost of operations (exclusive of amortization and depreciation disclosed separately below)[1]	1,631,029	1,434,620	1,124,590	916,201	788,874
General and administrative[1]	80,898	91,815	91,532	77,740	52,320
Depreciation and other amortization	84,338	65,443	58,565	62,586	53,948
Amortization of purchased intangibles	82,294	59,597	41,142	28,812	20,613
Impairment of long-lived assets	39,961	—	—	—	—
Loss on sale of assets	16,045	—	—	—	—
Merger costs	12,349	—	—	—	—
Total operating expenses	1,946,914	1,651,475	1,315,829	1,085,339	915,755
Operating income	344,275	347,267	236,608	172,099	130,789
Other expenses	—	—	—	—	4,275
Fair value loss on interest rate derivative	—	—	—	808	2,851
Interest expense, net	69,523	40,998	14,482	6,972	14,681
Income before income taxes	274,752	306,269	222,126	164,319	108,982
Provision for income taxes	110,691	116,664	83,381	61,948	41,684
Net income	$ 164,061	$ 189,605	$ 138,745	$ 102,371	$ 67,298
Net income per share—basic	$ 2.09	$ 2.38	$ 1.69	$ 1.27	$ 0.86
Net income per share—diluted	$ 2.03	$ 2.32	$ 1.64	$ 1.22	$ 0.84
Weighted average shares used in computing per share amounts—basic	78,403	79,735	82,208	80,614	78,003
Weighted average shares used in computing per share amounts—diluted	80,811	81,686	84,637	84,040	80,313

(1) Included in general and administrative is stock compensation expense of $21.2 million, $16.1 million, $14.1 million, $13.4 million, and $5.9 million, for the years ended December 31, 2007, 2006, 2005, 2004 and 2003, respectively. Included in cost of operations is stock compensation expense of $35.0 million, $27.0 million, $0, $2.3 million, and $0, for the years ended December 31, 2007, 2006, 2005, 2004 and 2003, respectively.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(In thousands, except per share amounts)				
Adjusted EBITDA and Operating EBITDA[2]					
Adjusted EBITDA	$ 642,749	$ 515,360	$ 350,458	$ 279,264	$ 211,239
Operating EBITDA	$ 763,495	$ 556,339	$ 396,397	$ 321,779	$ 276,138
Other financial data					
Cash flows from operating activities	$ 571,521	$ 468,780	$ 109,081	$ 348,629	$ 116,876
Cash flows from investing activities	$ (694,808)	$ (542,972)	$ (330,951)	$ (399,859)	$ (247,729)
Cash flows from financing activities	$ 197,075	$ 112,270	$ 278,579	$ 66,369	$ 165,003
Segment Operating data					
Statements generated	221,162	211,663	190,910	190,976	167,118
Credit sales	$ 7,502,947	$ 7,444,298	$ 6,582,800	$ 6,227,421	$ 5,604,233
Average managed receivables	$ 3,909,627	$ 3,640,057	$ 3,170,485	$ 3,021,800	$ 2,654,087
AIR MILES reward miles issued	4,143,000	3,741,834	3,246,553	2,834,125	2,571,501
AIR MILES reward miles redeemed	2,723,524	2,456,932	2,023,218	1,782,185	1,512,788

(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 operating EBITDA and a reconciliation to net income, the most directly comparable GAAP financial measure.

	As of December 31,				
	2007	2006	2005	2004	2003
	(In thousands)				
Balance sheet data					
Cash and cash equivalents	$ 265,839	$ 180,075	$ 143,213	$ 84,409	$ 67,745
Seller’s interest and credit card receivables, net	652,434	569,389	479,108	248,074	271,396
Redemption settlement assets, restricted	317,053	260,957	260,963	243,492	215,271
Intangible assets, net	363,895	263,934	265,000	233,779	143,733
Goodwill	1,235,347	969,971	858,470	709,146	484,415
Total assets	4,103,594	3,404,015	2,926,082	2,239,080	1,867,424
Deferred revenue	828,348	651,506	610,533	547,123	476,387
Certificates of deposit	370,400	299,000	379,100	94,700	200,400
Long-term and other debt, including current maturities	960,105	745,377	457,844	342,823	189,751
Total liabilities	2,906,628	2,332,482	2,004,975	1,368,560	1,165,093
Total stockholders’ equity	1,196,966	1,071,533	921,107	870,520	702,331

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

Overview

We are a leading provider of data-driven and transaction-based marketing and customer loyalty solutions. We offer a comprehensive portfolio of integrated outsourced marketing solutions, including customer loyalty programs, database marketing services, marketing strategy consulting, analytics and creative services, permission-based email marketing and private label retail credit card programs. We focus on facilitating and managing interactions between our clients and their customers through a variety of consumer marketing channels, including in-store, catalog, mail, telephone and on-line. We capture data created during each customer interaction, analyze the data and leverage the insight derived from that data to enable clients to identify and acquire new customers, as well as to enhance customer loyalty. We believe that our services are becoming increasingly valuable as companies continue to shift their marketing resources away from traditional mass marketing campaigns toward more targeted marketing programs that provide measurable returns on marketing investments. We operate in three business segments: Marketing Services, Credit Services and Transaction Services.

Marketing Services. The Marketing Services segment generates revenue from our coalition loyalty program in Canada and targeted marketing services programs run by Epsilon.

In our AIR MILES Reward Program, we primarily collect fees from our clients based on the number of AIR MILES reward miles issued and, in limited circumstances, the number of AIR MILES reward miles redeemed. All of the fees collected for AIR MILES reward miles issued are deferred and recognized over time. AIR MILES reward miles issued and AIR MILES reward miles redeemed are the two primary drivers of loyalty services revenue and indicators of the success of the program. These two drivers are also important in the revenue recognition process.

- AIR MILES Reward Miles Issued: The number of AIR MILES reward miles issued reflects the buying activity of the collectors at our participating sponsors, who pay us a fee per AIR MILES reward mile issued. The fees collected from sponsors for the issuance of AIR MILES reward miles represent future revenue and earnings for us. The revenue related to the service element of the AIR MILES reward miles (which consists of marketing and administrative services provided to sponsors) is initially deferred and amortized over a period of 42 months, which is the estimated life of an AIR MILES reward mile, beginning with the issuance of the AIR MILES reward mile and ending upon its expected redemption.
- AIR MILES Reward Miles Redeemed: Redemptions show that collectors are redeeming AIR MILES reward miles to collect the rewards that are offered through our programs, which is an indicator of the success of the program. We also recognize revenue from the redemptions of AIR MILES reward miles by collectors. The revenue related to the redemption element is deferred until the collector redeems the AIR MILES reward miles or over the estimated life of an AIR MILES reward mile in the case of AIR MILES reward miles that we estimate will go unused by the collector base or "breakage." We currently estimate breakage to be one-third of AIR MILES reward miles issued. There have been no changes to management's estimate of the life of a mile or breakage in the periods presented.

Our AIR MILES Reward Program tends not to be significantly impacted by economic swings, because many of our sponsors are in non-discretionary retail categories such as grocery stores, gas stations and pharmacies. Additionally, we target the sponsors' most loyal customers, who we believe are unlikely to significantly change their spending patterns. We are impacted by changes in the exchange rate between the U.S. dollar and the Canadian dollar.

Epsilon is a leader in providing integrated direct marketing solutions that combine database marketing technology and analytics with a broad range of direct marketing services. Epsilon has over 500 clients, primarily in the financial services, specialty retail, hospitality and pharmaceutical end-markets. In 2006, we continued our expansion of the services we provide with the acquisition of DoubleClick Email Solutions, which strengthened

our presence in email communication solutions. With the acquisitions of iCom Information & Communications, Inc. ("iCOM"), a leading provider of consumer surveys, in early 2006, and CPC Associates, Inc. ("CPC"), a leading provider of new mover data, in the third quarter of 2006, Epsilon has also begun to expand its data product and services offerings. In addition, on February 1, 2007, we completed the acquisition of Abacus, which is a leading provider of data, data management and analytical services for the retail and catalog industry, as well as other sectors. As a result of these acquisitions, we can offer our clients full end-to-end solutions, including marketing strategy consulting, data services, database development and management, marketing analytics, creative design and delivery services such as email communications.

Credit Services. The Credit Services segment provides risk management solutions, account origination and funding services for our more than 85 private label retail card programs. Credit Services primarily generates revenue from securitization income, servicing fees from our securitization trusts and merchant discount fees. Private label credit sales and average managed receivables are the two primary drivers of revenue for this business unit.

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

During the fourth quarter of 2007, the Lane Bryant portfolio was taken in-house by Lane Bryant's parent company. The loss of this client will impact our private label sales and our average managed receivables. It is expected that the loss of the Lane Bryant portfolio will reduce overall revenue growth to mid- to high- single digits for 2008 in the Credit Services segment, after which time, it is expected to return to normal levels.

The Credit Services segment is affected by increased outsourcing in targeted industries. The growing trend of outsourcing private label retail card programs leads to increased accounts and balances to finance. We focus our sales efforts on prime borrowers and do not target sub-prime borrowers. Additionally, economic trends can impact this segment. Interest expense is a significant component of operating costs for the securitization trusts. Over the last three years we have experienced a historically low interest rate environment. However, interest rates in 2007 and 2006 were slightly higher than rates in 2005.

During the fourth quarter of 2005, Congress enacted bankruptcy legislation which had a two-fold impact. First, an acceleration of bankruptcies occurred in late 2005 as the result of an increased number of cardholders filing for bankruptcy protection who would otherwise not have been eligible to file for protection under the new legislation. Second, under the new legislation it became more difficult for cardholders filing for bankruptcy to dispose of their obligations to creditors. The enactment of the bankruptcy laws had a positive impact in 2006 to our net charge-off rate, which was approximately 5.0% for 2006 as compared to 6.5% for 2005. The net charge-off rate for the year ended December 31, 2007 was 5.8% and we expect that the net charge-off rate for 2008 will be in the 6% range with costs of funds expected to remain consistent with 2007.

Transaction Services. The Transaction Services segment primarily generates revenue based on the number of statements generated, customer calls handled and transactions processed. Statements generated is the primary driver of revenue for this segment and represents the majority of revenue.

- Statements Generated: This represents the number of statements generated for our credit card and utility clients. The number of statements generated in any given period is a fairly reliable indicator of the number of active account holders during that period. In addition to receiving payment for each statement generated, we also are paid for other services such as remittance processing, customer care and various marketing and consulting services.

The Transaction Services segment is primarily affected by industry trends similar to Credit Services. Companies are increasingly outsourcing their non-core processes such as customer information systems, billing and customer care. We are impacted by this trend with our clients in utility services and issuer services.

When there are areas in our business units that no longer align with our strategy, we may explore the sale of those assets. On November 7, 2007 we sold ADS MB Corporation, which operated our mail services business. These mail services included personalized customer communications and intelligent inserting and commingling capabilities for clients in the financial services, healthcare, retail, government and utilities end markets.

Year in Review Highlights

Our results for the year ended 2007 included the following significant agreements and continued selective execution of our acquisition strategy:

- In February 2007, we announced the signing of a multi-year agreement with Newfoundland and Labrador Liquor Corporation to participate as a sponsor in our Canadian AIR MILES Reward Program.
- In February 2007, we announced the signing of a multi-year agreement with Redcats USA to provide integrated credit and marketing services including co-brand credit card services to supplement Redcats USA's existing private label credit card programs as well as to provide co-brand credit card services for a new Redcats USA client, The Sportsman's Guide.
- In February 2007, we completed the acquisition of Abacus, a division of DoubleClick Inc. and a leading provider of data, data management and analytical services for the retail and catalog industry, as well as other sectors.
- In March 2007, we announced the signing of a multi-year agreement with Pinellas County Utilities, a municipal water utility providing water and wastewater services to more than 110,000 residential and commercial accounts, to implement a new customer information system and provide ongoing services, including application management and hosting, as well as bill print and mail services.
- In April 2007, we announced the signing of a multi-year agreement with Orchard Supply Hardware LLC, a regional home-improvement retailer, to provide commercial and consumer private label credit card services.
- In April 2007, we announced the signing of a multi-year renewal agreement with Goodyear Canada, a leading tire company, to continue as a sponsor in our Canadian AIR MILES Reward Program.
- In May 2007, we announced the signing of a multi-year renewal with Truckee Meadows Water Authority, a municipal water utility providing water to more than 92,000 residential and commercial accounts, representing 330,000 end-use residential and commercial customers, to provide a full customer care solution, including customer information systems application hosting and management, call center operations, online customer care, bill print and mail, remittance processing and collection services.
- In May 2007, we announced the signing of a multi-year agreement with Gardner-White, a top 100 U.S. multi-channel furniture retailer of high-quality, affordable home furnishings, to provide private label credit card services.

- In June 2007, we announced the signing of a multi-year agreement with Roins Financial Services Limited, a leading insurance company, in which its affiliates Royal & SunAlliance and Johnson Inc. will become national sponsors in our Canadian AIR MILES Reward Program.
- In June 2007, we announced the signing of a multi-year renewal agreement with A&P Canada, a leading grocer, to continue as a sponsor in our Canadian AIR MILES Reward Program.
- In June 2007, we announced the signing of a multi-year agreement with Fortunoff, a leading retailer of fine jewelry, home furnishings and seasonal items, to provide integrated credit and marketing services including co-brand credit card services to supplement their existing private label credit card program.
- In July 2007, we announced the signing of a multi-year renewal agreement with Forzani Group Ltd., Canada's largest national sporting goods retailer, to continue as a sponsor in our Canadian AIR MILES Reward Program. Collectors may earn points at four of Forzani's brands including Sport Chek, Coast Mountain Sports, Sports Experts and Hockey Experts.
- In August 2007, we announced the signing of a multi-year renewal agreement with the Katz Group Canada Ltd., a leading retail pharmacy network in Canada, to continue the relationship of its Rexall/ Pharma Plus pharmacies as a sponsor in our Canadian AIR MILES Reward Program.
- In September 2007, we announced the signing of a multi-year agreement with Williams-Sonoma, Inc. to launch a private label credit card program for West Elm, a modern, high-quality furniture and home accessories retailer, and to continue providing private label credit card services for the Pottery Barn brands.
- In September 2007, we announced the signing of a multi-year agreement with Tesco Stores Limited to provide permission-based email marketing solutions and services to Tesco.com. Tesco Stores Limited is a leading retailer in the United Kingdom, and has operations in Europe, North America and Asia.
- In September 2007, we announced the expansion of our agreement with RONA, to include Réno Dépot, a subsidiary of RONA, as a sponsor in our Canadian AIR MILES Reward Program. RONA is a Canadian retailer and distributor of hardware, home renovation and gardening products.
- In October 2007, we announced the signing of a multi-year agreement to provide permission-based email marketing solutions and services to online auctioneer EachNet in China.
- In November 2007, the Lane Bryant portfolio was taken in-house by Lane Bryant's parent company.
- In November 2007, we sold our Mail Services business, which was included in our Transaction Services segment, to Bowne & Co.
- In November 2007, we announced the signing of a multi-year agreement with Charter Communications to provide loyalty marketing and database services, analytics, permission-based email communications, and strategic consulting. Charter Communications is a Fortune 500 company providing cable television, high-speed Internet access, and telephone service as well as business communication services.
- In November 2007, we announced the signing of a multi-year renewal agreement with 7-Eleven, Inc. to provide payment processing services, including authorization and settlement for debit and credit transactions, and prepaid card services.
- In December 2007, we announced the signing of a multi-year agreement with Helzberg Diamond to manage Helzberg Diamonds' marketing database and provide data and analytical support for customer cross-sell and acquisition marketing efforts.
- In December 2007, we announced that Visions Electronics joined our Canadian AIR MILES Reward Program as a sponsor. Visions Electronics is one of Western Canada's leading electronic retailers.

Discussion of Critical Accounting Policies

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

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

The trusts issue bonds in the capital markets and notes in private transactions. The proceeds from the bonds and other debt are used to fund the receivables, while cash collected from cardholders is used to finance new receivables and repay borrowings and related borrowing costs. The excess spread is remitted to us as securitization income.

Our retained interest, often referred to as an interest-only strip, is recorded at fair value. The fair value of our interest-only strip represents the present value of the anticipated cash flows we will receive over the estimated life of the receivables, which is 8.5 months. This anticipated excess cash flow consists of the excess of finance charges and past-due fees net of the sum of the return paid to bond and note holders, estimated contractual servicing fees and credit losses. Because there is not a highly liquid market for these assets, we estimate the fair value of the interest-only strip primarily based upon discount, payment and default rates, which is the method we assume that another market participant would use to purchase the interest-only strip. The fair value of the interest-only strip, and the corresponding gain or loss, will be impacted by the estimated excess spread over the following two or three quarters. The excess spread is impacted primarily by finance and late fees collected, net charge-offs and interest rates.

Changes in the fair value of the interest-only strip are reflected in our financial statements as additional gains related to new receivables originated and securitized or other comprehensive income related to mark-to-market changes of our residual interest.

In recording and accounting for interest-only strips, we make assumptions about rates of payments and defaults that we believe reasonably reflect economic and other relevant conditions that affect fair value. Due to subsequent changes in economic and other relevant conditions, the actual rates of principal payments and defaults generally differ from our initial estimates, and these differences could sometimes be material. If actual payment and default rates are higher than previously assumed, the value of the interest-only strip could be impaired and the decline in the fair value would be recorded in earnings. Further sensitivity information is provided in Note 8 of our audited consolidated financial statements.

We recognize the implicit forward contract to sell new receivables during a revolving period at its fair value at the time of sale. The implicit forward contract is entered into at the market rate and thus, its initial measure is

zero at inception. In addition, we do not mark the forward contract to fair value in accounting periods following the securitization because management has concluded that the fair value of the implicit forward contract in subsequent periods is not material. We believe that servicing fees received represent adequate compensation based on the amount currently demanded by the marketplace. Additionally, these fees are the same as would fairly compensate a substitute servicer should one be required and, thus, we neither record a servicing asset nor servicing liability.

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

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

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

The amount of revenue recognized in a period is subject to the estimated life of an AIR MILES reward mile. Based on our historical analysis, we make a determination as to average life of an AIR MILES reward mile. The estimated life of an AIR MILES reward mile of 42 months and breakage of one-third has remained constant for all periods presented. Breakage and the life of an AIR MILES reward mile is based on management's estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent analysis. The estimated life of an AIR MILES reward mile and breakage is actively monitored by management and subject to external influences that may cause actual performance to differ from estimates.

We believe that the issuance and redemption of AIR MILES reward miles is influenced by the nature and volume of sponsors, the type of rewards offered, the overall health of the Canadian economy, the nature and extent of AIR MILES promotional activity in the marketplace and the extent of competing loyalty programs. These influences will primarily affect the average life of an AIR MILES reward mile. We do not believe that the estimated life will vary significantly over time, consistent with historical trends. The shortening of the life of an AIR MILES reward mile would accelerate the recognition of revenue and may affect the breakage rate. As of December 31, 2007, we had $828.3 million in deferred revenue related to the AIR MILES Reward Program that will be recognized in the future. Further information is provided in Note 11 of our audited consolidated financial statements.

Stock-based compensation. On January 1, 2006, we adopted the provisions of, and account for stock-based compensation in accordance with, Statement of Financial Accounting Standards No. 123 (revised 2004), "Share- Based Payment" ("SFAS No. 123(R)"). We elected the modified-prospective method, under which prior periods are not revised for comparative purposes. Under the fair value recognition provisions of SFAS No. 123(R), stock based compensation cost is measured at the grant date based on the fair value of the award and is recognized ratably over the requisite service period.

We currently use a binomial lattice option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends.

We estimate the expected term of options granted by calculating the average term from our historical stock option exercise experience. We estimate the volatility of our common stock by using an implied volatility. We base the risk-free interest rate that we use in the option pricing model on a forward curve of risk free interest rates based on constant maturity rates provided by the U.S. Treasury. We have not paid and do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in the option pricing model. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. All share-based payment awards are amortized on a straight-line basis over the awards' requisite service periods, which are generally the vesting periods.

If factors change and we employ different assumptions for estimating stock-based compensation expense, the future periods may differ from what we have recorded in the current period and could affect our operating income, net income and net income per share.

See Note 15 of our audited consolidated financial statements for further information regarding the SFAS No. 123(R) disclosures.

Income Taxes. We account for uncertain tax positions in accordance with Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" an interpretation of Statement of Financial Accounting Standards No. 109 ("FIN No. 48"). 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. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income. See Note 13 of our audited consolidated financial statements for additional detail on our uncertain tax positions and further information regarding FIN No. 48.

Inter-Segment Sales

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

Use of Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure equal to net income, the most directly comparable GAAP financial measure, plus stock compensation expense, provision for income taxes, interest expense, net, fair value loss on interest rate derivative, other expenses, impairment of long-lived assets, loss on the sale of assets, merger and other costs, depreciation and other amortization and amortization of purchased intangibles. Operating EBITDA is a non-GAAP financial measure equal to adjusted EBITDA plus the change in deferred revenue plus the change in redemption settlement assets. We have presented operating EBITDA because we use the financial measure to monitor compliance with financial covenants in our credit facilities and our senior note agreement. For the year ended December 31, 2007, senior debt-to-operating EBITDA was 1.2x compared to a maximum ratio of 2.75x permitted in our credit facilities and in our senior note agreements. Operating EBITDA to interest expense was 9.4x compared to a minimum ratio of 3.5x permitted in our credit facilities and 3.0x permitted in our senior note agreement. As discussed in more detail in the liquidity section of "Management's Discussion and Analysis of Financial Condition and Results of Operations," our credit facilities and cash flows from operations are the two main sources of funding for our acquisition strategy and for our future working

capital needs and capital expenditures. As of December 31, 2007, we had borrowings of $421.0 million outstanding under the credit facilities, $500.0 million under our senior notes and had $417.0 million in unused borrowing capacity. We were in compliance with our covenants at December 31, 2007, and we expect to be in compliance with these covenants during the year ended December 31, 2008.

We use adjusted EBITDA as an integral part of our internal reporting to measure the performance of our reportable segments and to evaluate the performance of our senior management. Adjusted EBITDA is 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 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, the impact of related impairments, as well as asset sales through other financial measures, such as capital expenditures, investment spending and return on capital and therefore the effects are excluded from Adjusted EBITDA. Adjusted EBITDA also eliminates the non-cash effect of stock compensation expense. Stock compensation expense is not included in the measurement of segment adjusted EBITDA provided to the chief operating decision maker for purposes of assessing segment performance and decision making with respect to resource allocations. Therefore, we believe that adjusted EBITDA provides useful information to our investors regarding our performance and overall results of operations. Adjusted EBITDA and operating EBITDA 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 an indicator of operating performance or to cash flows from operating activities as a measure of liquidity. In addition, adjusted EBITDA and operating EBITDA are not intended to represent funds available for dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The adjusted EBITDA and operating EBITDA 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.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
			(In thousands)		
Net income	$164,061	$189,605	$138,745	$102,371	$ 67,298
Stock compensation expense	56,243	43,053	14,143	15,767	5,889
Provision for income taxes	110,691	116,664	83,381	61,948	41,684
Interest expense, net	69,523	40,998	14,482	6,972	14,681
Fair value loss on interest rate derivative	—	—	—	808	2,851
Other expenses[1]	—	—	—	—	4,275
Impairment on long-lived assets	39,961	—	—	—	—
Loss on the sale of assets	16,045	—	—	—	—
Merger and other costs[2]	19,593	—	—	—	—
Depreciation and other amortization	84,338	65,443	58,565	62,586	53,948
Amortization of purchased intangibles	82,294	59,597	41,142	28,812	20,613
Adjusted EBITDA	642,749	515,360	350,458	279,264	211,239
Change in deferred revenue	176,842	40,973	63,410	70,736	113,877
Change in redemption settlement assets	(56,096)	6	(17,471)	(28,221)	(48,978)
Operating EBITDA	$763,495	$556,339	$396,397	$321,779	$276,138

Note: An increase in deferred revenue has a positive impact to Operating EBITDA, while an increase in redemption settlement assets has a negative impact to Operating EBITDA. Change in deferred revenue and change in redemption settlement assets are affected by fluctuations in foreign exchange rates. Change in redemption settlement assets is also affected by the timing of receipts and transfers of cash.

(1) For the year ended December 2003, other expenses are debt related.

(2) Represents expenditures directly associated with the proposed merger of the Company with an affiliate of The Blackstone Group, compensation charges related to the departure of certain employees and other non-routine costs associated with the proposed merger and Mail Services disposition.

Results of Operations

Year ended December 31, 2007 compared to the year ended December 31, 2006

	Year Ended December 31,		Growth	
	2007	2006	$	%
	(In thousands, except percentages)			
Revenue:				
Marketing Services	$1,086,931	$ 849,158	$237,773	28.0%
Credit Services	808,288	731,338	76,950	10.5
Transaction Services	753,357	776,036	(22,679)	(2.9)
Other/Eliminations	(357,387)	(357,790)	403	(0.1)
Total	$2,291,189	$1,998,742	$292,447	14.6%
Adjusted EBITDA:				
Marketing Services	$ 236,857	$ 159,186	$ 77,671	48.8%
Credit Services	317,661	248,204	69,457	28.0
Transaction Services	88,231	107,970	(19,739)	(18.3)
Total	$ 642,749	$ 515,360	$127,389	24.7%
Stock compensation expense:				
Marketing Services	$ 25,803	$ 18,162	$ 7,641	42.1%
Credit Services	10,032	8,451	1,581	18.7
Transaction Services	20,408	16,440	3,968	24.1
Total	$ 56,243	$ 43,053	$ 13,190	30.6%
Depreciation and amortization:				
Marketing Services	$ 99,640	$ 58,681	$ 40,959	69.8%
Credit Services	13,717	13,690	27	0.2
Transaction Services	53,275	52,669	606	1.2
Total	$ 166,632	$ 125,040	$ 41,592	33.3%
Operating expenses[(1)]:				
Marketing Services	$ 850,074	$ 689,972	$160,102	23.2%
Credit Services	490,627	483,134	7,493	1.6
Transaction Services	665,126	668,066	(2,940)	(0.4)
Other/Eliminations	(357,387)	(357,790)	403	(0.1)
Total	$1,648,440	$1,483,382	$165,058	11.1%
Operating income:				
Marketing Services	$ 111,414	$ 82,343	$ 29,071	35.3%
Credit Services	293,912	226,063	67,849	30.0
Transaction Services	(41,458)	38,861	(80,319)	(206.7)
Other/Eliminations	(19,593)	—	(19,593)	—
Total	$ 344,275	$ 347,267	$ (2,992)	(0.9)%
Adjusted EBITDA margin[(2)]:				
Marketing Services	21.8%	18.7%	3.1%	
Credit Services	39.3	33.9	5.4	
Transaction Services	11.7	13.9	(2.2)	
Total	28.1%	25.8%	2.3%	
Segment Operating data:				
Statements generated	221,162	211,663	9,499	4.5%
Credit Sales	$7,502,947	$7,444,298	$ 58,649	0.8%
Average managed receivables	$3,909,627	$3,640,057	$269,570	7.4%
AIR MILES reward miles issued	4,143,000	3,741,834	401,166	10.7%
AIR MILES reward miles redeemed	2,723,524	2,456,932	266,592	10.9%

(1) Operating expenses excludes stock compensation expense, depreciation, amortization expense, impairment charges, merger and other costs.

(2) Adjusted EBITDA margin is adjusted EBITDA divided by revenue. Management uses adjusted EBITDA margin to analyze the operating performance of the segments and the impact revenue growth has on operating expenses.

Revenue. Total revenue increased $292.4 million, or 14.6%, to $2,291.2 million for the year ended December 31, 2007 from $1,998.7 million for the comparable period in 2006. The increase was due to a 28.0% increase in Marketing Services revenue and a 10.5% increase in Credit Services revenue, offset by a 2.9% decrease in Transaction Services revenue as follows:

- *Marketing Services.* Revenue increased $237.8 million, or 28.0%, due to a combination of strong organic growth and acquisitions completed over the past twelve months. AIR MILES Reward Program growth was driven primarily by an increase in redemption revenue of $68.2 million related to a 10.9% increase in the redemption of AIR MILES reward miles. Issuance revenue increased $19.4 million primarily related to growth in issuances of AIR MILES reward miles in recent years from the roll out of major national programs. Within our revenue increase, changes in the exchange rate of the Canadian dollar had a $35.7 million positive impact on revenue for the AIR MILES Reward Program. Database and direct marketing fees revenue increased by $130.3 million primarily related to Epsilon's recent acquisition of Abacus. Organic growth within Epsilon's database marketing services division was partially offset by declines in Epsilon's strategic marketing and consulting services division from lower volumes and a reduction of services provided to one of our clients.
- *Credit Services.* Revenue increased $77.0 million, or 10.5%, primarily due to a 10.5% increase in securitization income and finance charges, net. Securitization income and finance charges, net, increased $75.9 million, which includes an increase in the fair value of the gain on the interest-only strip of $20.5 million. The increase primarily resulted from a 7.4% increase in our average managed receivables and an increase in collected yield. This growth was partially offset by the normalization of our net charge-off rate in 2007 to 5.8% as compared to 5.0% in 2006. For the year ended December 31, 2006, our net charge-off rate was impacted by abnormally low credit losses resulting from the enactment of bankruptcy reform legislation during the fourth quarter of 2005. Tempering the increase in revenue was a decline in merchant discount fees of approximately $8.1 million primarily as a result of a change in mix of fees received from merchants compared to fees received from cardholders.
- *Transaction Services.* Revenue decreased $22.7 million, or 2.9%. The decline in revenue can be attributed to a decline of $11.9 million in our merchant services business, as a result of attrition and pricing concessions, a decline of $8.6 million in our utility services business as a result of a decline in consulting services provided and a loss of revenue from our Mail Services business, which was sold on November 7, 2007.

Operating Expenses. For purposes of the discussion below, total operating expenses excludes stock compensation expense, depreciation expense, amortization expense, impairment charges, merger and other costs. Total operating expenses increased $165.1 million, or 11.1%, to $1,648.4 million for the year ended December 31, 2007 from $1,483.4 million during the comparable period in 2006. Adjusted EBITDA margin increased to 28.1% for the year ended December 31, 2007 from 25.8% for the comparable period in 2006 due to increased adjusted EBITDA margins across Marketing Services and Credit Services, offset by a decrease in adjusted EBITDA margin for Transaction Services.

- *Marketing Services*. Operating expenses, as defined, increased $160.1 million, or 23.2%, to $850.1 million for the year ended December 31, 2007 from $690.0 million for the comparable period in 2006, and adjusted EBITDA margin increased to 21.8% for the year ended December 31, 2007 from 18.7% for the comparable period in 2006. Increases in operating expenses were primarily attributable to the acquisition of Abacus, as discussed above. Increases in operating expenses for the Air Miles Reward Program were due to an increase in costs of good sold primarily as a result from an increase in redemptions, as well as the impact of the exchange rate of the Canadian Dollar. Changes in the exchange rate of the Canadian dollar resulted in a $28.2 million increase in operating expenses for the AIR MILES Reward Program. The increase in adjusted EBITDA margin was due to the growth of the AIR MILES business and the impact of the Abacus acquisition.

- *Credit Services.* Operating expenses, as defined, increased $7.5 million, or 1.6%, to $490.6 million for the year ended December 31, 2007 from $483.1 million for the comparable period in 2006, and adjusted EBITDA margin increased to 39.3% for the year ended December 31, 2007 from 33.9% for the comparable period in 2006. The increased adjusted EBITDA margin is the result of favorable revenue trends from an increase in our average managed receivables and an increase in collected yield. The adjusted EBITDA margin also benefited from increased staffing levels in our call centers and customer relationship areas as those costs were borne by the Transaction Services segment.
- *Transaction Services.* Operating expenses, as defined, decreased $2.9 million, or 0.4%, to $665.2 million for the year ended December 31, 2007 from $668.1 million for the comparable period in 2006, and adjusted EBITDA margin decreased to 11.7% for the year ended December 31, 2007 from 13.9% during the comparable period in 2006. Operating expenses increased $16.5 million due to higher expenses in our private label retail services business for increased staffing levels in our call centers and customer relationship areas which in turn drove higher profits in our Credit Services segment. The increase was somewhat offset by a decline of expenses from our merchant services business and utility services business, as management proactively controlled expenses as revenue declined. There was also a decline in operating expenses from the sale of our mail services business which was sold on November 7, 2007. Adjusted EBITDA margin decreased primarily due to the incremental private label business expenses and declines in our utility service business and our mail services business.
- *Stock compensation expense.* Stock compensation expense increased $13.2 million, or 30.6%, to $56.2 million for the year ended December 31, 2007 from $43.1 million for the comparable period in 2006. The increase was due primarily to the modification of terms of certain equity based awards aggregating $9.8 million, as well as the true up of certain estimates, including forfeitures upon the adoption of SFAS No. 123(R) in 2006, of approximately $3.3 million.
- *Depreciation and Amortization.* Depreciation and amortization increased $41.6 million, or 33.3%, to $166.6 million for the year ended December 31, 2007 from $125.0 million for the comparable period in 2006 primarily due to a $22.7 million increase in the amortization of purchased intangibles related to recent acquisitions and an increase of $18.9 million in depreciation and other amortization related in part to recent acquisitions as well as capital expenditures.
- *Merger and other costs.* In the second quarter of 2007, we entered into the Merger Agreement with an affiliate of The Blackstone Group. Costs associated with the proposed merger were approximately $12.4 million for the year ended December 31, 2007 and include investment banking, legal and accounting costs. In addition, we incurred $7.2 million in compensation charges related to the severance of certain employees and other non-routine costs associated with our disposition of our mail services business.
- *Impairment of long-lived assets.* In the third quarter of 2007, we determined that certain long-lived assets, including internally developed software, certain customer relationship assets, and other assets, had been impaired. We recognized $40.0 million as a non-cash asset write-down, with the impairment charge included in our Transaction Services segment.
- *Loss on sale of assets.* On November 7, 2007, we sold ADS MB Corporation, which operated our mail services business. These mail services included personalized customer communications and intelligent inserting and commingling. In connection with the sale, we recognized a loss of $16.0 million.

Operating Income. Operating income decreased $3.0 million, or 0.9%, to $344.3 million for the year ended December 31, 2007 from $347.3 million during the comparable period in 2006. Operating income decreased primarily as a result of the impairment of long-lived assets, the loss on the sale of our Mail Services division, as well as the revenue and expense factors discussed above.

Interest Income. Interest income increased $4.1 million, or 62.1%, to $10.7 million for the year ended December 31, 2007 from $6.6 million for the comparable period in 2006 due to higher average balances of our short-term cash investments.

Interest Expense. Interest expense increased $32.6 million, or 68.5%, to $80.2 million for the year ended December 31, 2007 from $47.6 million for the comparable period in 2006. Interest expense on core debt, which includes our credit facilities and senior notes, increased $30.6 million as a result of additional borrowings to fund our recent acquisitions and our stock repurchase program, offset slightly by a decrease in interest rates from the comparable period in 2006. Interest on our certificates of deposit increased by $3.3 million, which was impacted by higher average balances and an increase in interest rates.

Taxes. Income tax expense decreased $6.0 million to $110.7 million for the year ended December 31, 2007 from $116.7 million for the comparable period in 2006 due to a decrease in taxable income. Our effective tax rate increased to 40.3% for the year ended December 31, 2007 compared to 38.1% for the comparable period in 2006, primarily due to a decrease in taxable income in certain jurisdictions, certain non-deductible expenses incurred in 2007 and changes in legislation enacted in various states and Canada.

Year ended December 31, 2006 compared to the year ended December 31, 2005

	Year Ended December 31,		Growth	
	2006	2005	$	%
	(In thousands, except percentages)			
Revenue:				
Marketing Services	$ 849,158	$ 604,145	$245,013	40.6%
Credit Services	731,338	561,413	169,925	30.3
Transaction Services	776,036	699,884	76,152	10.9
Other/Eliminations	(357,790)	(313,005)	(44,785)	14.3
Total	$1,998,742	$1,552,437	$446,305	28.7%
Adjusted EBITDA:				
Marketing Services	$ 159,186	$ 97,903	$ 61,283	62.6%
Credit Services	248,204	162,481	85,723	52.8
Transaction Services	107,970	90,074	17,896	19.9
Total	$ 515,360	$ 350,458	$164,902	47.1%
Stock compensation expense:				
Marketing Services	$ 18,162	$ 4,714	$ 13,448	285.3%
Credit Services	8,451	4,714	3,737	79.3
Transaction Services	16,440	4,715	11,725	248.7
Total	$ 43,053	$ 14,143	$ 28,910	204.4%
Depreciation and amortization:				
Marketing Services	$ 58,681	$ 36,477	$ 22,204	60.9%
Credit Services	13,690	6,647	7,043	106.0
Transaction Services	52,669	56,583	(3,914)	(6.9)
Total	$ 125,040	$ 99,707	$ 25,333	25.4%
Operating expenses[(1)]:				
Marketing Services	$ 689,972	$ 506,242	$183,730	36.3%
Credit Services	483,134	398,932	84,202	21.1
Transaction Services	668,066	609,810	58,256	9.6
Other/Eliminations	(357,790)	(313,005)	(44,785)	14.3
Total	$1,483,382	$1,201,979	$281,403	23.4%
Operating income:				
Marketing Services	$ 82,343	$ 56,712	$ 25,631	45.2%
Credit Services	226,063	151,120	74,943	49.6
Transaction Services	38,861	28,776	10,085	35.0
Total	$ 347,267	$ 236,608	$110,659	46.8%
Adjusted EBITDA margin[(2)]:				
Marketing Services	18.7%	16.2%	2.5%	
Credit Services	33.9	28.9	5.0	
Transaction Services	13.9	12.9	1.0	
Total	25.8%	22.6%	3.2%	
Segment Operating data:				
Statements generated	211,663	190,910	20,753	10.9%
Credit Sales	$7,444,298	$6,582,800	$861,498	13.1%
Average managed receivables	$3,640,057	$3,170,485	$469,572	14.8%
AIR MILES reward miles issued	3,741,834	3,246,553	495,281	15.3%
AIR MILES reward miles redeemed	2,456,932	2,023,218	433,714	21.4%

(1) Operating expenses excludes depreciation, amortization and stock compensation expense.

(2) Adjusted EBITDA margin is adjusted EBITDA divided by revenue. Management uses adjusted EBITDA margin to analyze the operating performance of the segments and the impact revenue growth has on operating expenses.

Revenue. Total revenue increased $446.3 million, or 28.7%, to $1,998.7 million for 2006 from $1,552.4 million for 2005. The increase was due to a 40.6% increase in Marketing Services, a 30.3% increase in Credit Services revenue, and a 10.9% increase in Transaction Services revenue, as follows:

- Marketing Services. Marketing Services revenue increased $245.0 million, or 40.6%, due primarily to growth in the AIR MILES Reward Program and both organic growth and acquisition growth at Epsilon. AIR MILES Reward Program growth was driven primarily by an increase in redemption revenue of $77.2 million related to a 21.4% increase in the redemption of AIR MILES reward miles. Issuance revenue increased $16.7 million primarily due to growth in issuances of AIR MILES reward miles in recent years from the roll out of major national programs and increased AIR MILES Reward Program related to spending by certain sponsors for major national programs and campaigns. Changes in the exchange rate of the Canadian dollar accounted for approximately $31.2 million of the AIR MILES Reward Program revenue increase. Database and direct marketing fees revenue increased approximately $125.6 million primarily related to the acquisition of Epsilon businesses, Epsilon Interactive, ICOM, DoubleClick, and CPC.
- *Credit Services.* Credit Services revenue increased $169.9 million, or 30.3%, primarily due to a 42.8% increase in securitization income and finance charges, net offset by a decrease in merchant discount fees. Securitization income and finance charges, net increased $173.5 million primarily as a result of a 14.8% increase in our average managed receivables, an increase in collected yield and lower charge-offs. Cost of funds remained flat. The improvement in charge-off rates is a continuation of the benefit that we have received this year as a result of the bankruptcy reform legislation which was enacted during the fourth quarter of 2005, as well as overall higher credit quality. In addition, we also had a shift in the mix of fees charged for certain portfolios which resulted in a decrease in merchant discount fees but offset by increases in securitization income.
- *Transaction Services.* Transaction Services revenue increased $76.2 million, or 10.9%, primarily due to a 10.9% increase in statements generated from our private label and utility services businesses. The private label business increase was the result of a ramp up of clients signed along with solid growth in mature clients. Revenue for utility services was also positively impacted by both an increase in statements generated and additional service offerings to our existing clients.

Operating Expenses. Total operating expenses, excluding depreciation, amortization and stock compensation expense increased $281.4 million, or 23.4%, to $1,483.4 million for 2006 from $1,202.0 million for 2005. Total adjusted EBITDA margin increased to 25.8% for 2006 from 22.6% for 2005. The increase in adjusted EBITDA margin is due to increases in all of our segments. The EBITDA margin across our segments was positively impacted by corporate overhead as general and administrative costs remained flat between years. We were able to leverage our corporate infrastructure as revenues increased.

- *Marketing Services.* Marketing Services operating expenses, excluding depreciation, amortization and stock compensation expense, increased $183.7 million, or 36.3%, to $690.0 million for 2006 from $506.2 million for 2005 and adjusted EBITDA margin increased to 18.7% for 2006 from 16.2% for 2005. The increase in operating expenses was primarily attributed to the Epsilon business acquisitions and cost of sales from our AIR MILES Reward Program as a result of an increase in redemptions. Changes in the exchange rate of the Canadian dollar resulted in a $25.1 million increase in operating expenses for the AIR MILES Reward Program. The increase in adjusted EBITDA margin was due to margin expansion in our Epsilon and AIR MILES businesses, and margin contribution from relative decreases in allocated corporate overhead.
- *Credit Services.* Credit Services operating expenses, excluding depreciation, amortization and stock compensation expense, increased $84.2 million, or 21.1%, to $483.1 million for 2006 from $398.9 million for 2005, and adjusted EBITDA margin increased to 33.9% for 2006 from 28.9% for 2005. The increase in operating expenses is primarily attributed to the increase in cost of sales for statements generated and higher marketing expenses. The increased margin is the result of favorable revenue trends including an increase in our average managed receivables, an increase in collected yield and lower charge-offs, and margin contribution from relative decreases in allocated corporate overhead.

- *Transaction Services.* Transaction Services operating expenses, excluding depreciation, amortization and stock compensation expense, increased $58.3 million, or 9.6%, to $668.1 million for 2006 from $609.8 million for 2005, and adjusted EBITDA margin increased to 13.9% for 2006 from 12.9% for 2005. The increase in operating expenses is primarily attributed to the increased volume of statements generated and accrued penalties for late system conversions on utility contracts, as well as additional expenses due to these conversion delays. The increase in adjusted EBITDA margin was the result of increases in revenue driven by a 10.9% increase in statements generated and margin contribution from relative decreases in allocated corporate overhead, offset by margin decrease in our utility services business. The utility services margin was impacted by conversion expenses for our clients.
- *Stock compensation expense.* Stock compensation expense increased $28.9 million, or 204.4%, to $43.1 million for 2006 from $14.1 million for 2005. The increase was primarily attributable to our adoption of SFAS No. 123(R) under the modified prospective method. For the year ended December 31, 2005, we would have recorded a total of $36.6 million of stock compensation expense under SFAS No. 123.
- *Depreciation and Amortization.* Depreciation and amortization increased $25.3 million, or 25.4%, to $125.0 million for 2006 from $99.7 million for 2005. Amortization of purchased intangibles increased $18.5 million, of which $13.5 million relates to recent business acquisitions and $4.1 million relates to the amortization of premiums associated with the Blair portfolio acquisition completed in November 2005. The increase in depreciation and other amortization of $6.8 million is a result of relatively higher capital expenditures compared to prior years.

Operating Income. Operating income increased $110.7 million, or 46.8%, to $347.3 million for 2006 from $236.6 million for 2005. Operating income increased primarily from revenue gains and an increase in adjusted EBITDA margins partially offset by an increase in depreciation and amortization and stock compensation expense.

Interest Income. Interest income increased $2.6 million, or 64.2%, to $6.6 million for 2006 from $4.0 million for 2005 due to higher average balances of our short term cash investments, as well as an increase of the yield earned.

Interest Expense. Interest expense increased $29.1 million, or 157.3%, to $47.6 million for 2006 from $18.5 million for 2005 due to higher average balances under our credit facilities and certificates of deposit. Interest expense on core debt, which includes the credit facility and senior notes, increased $20.0 million as a result of additional borrowings to fund our stock repurchase program and the acquisitions of ICOM, DoubleClick and CPC and an increase in interest rates from the comparable period in 2005. Interest on certificates of deposit increased $7.3 million due to growth in on-balance sheet receivables which was primarily associated with financing of the Blair portfolio acquisition completed in November 2005.

Provision for Income Taxes. The provision for income taxes increased $33.3 million to $116.7 million in 2006 from $83.4 million in 2005 primarily due to an increase in taxable income. Our effective tax rate increased to 38.1% in 2006 compared to 37.5% in 2005 primarily as a result of changes in tax legislation in Texas and Canada.

Asset Quality

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

An older private label credit card portfolio generally drives a more stable performance in the portfolio. At December 31, 2007, 60.5% of securitized accounts with balances and 62.7% of securitized receivables were for accounts with origination dates greater than 24 months old. At December 31, 2006, 58.3% of securitized accounts with balances and 61.4% of securitized receivables were for accounts with origination dates greater than 24 months old. As of December 31, 2007, our allowance for doubtful accounts related to on-balance sheet private label and co-branded credit card receivables was $38.7 million compared to $45.9 million as of December 31, 2006. The decrease in the allowance for doubtful accounts was primarily the result of improved seasoning of accounts with certain of our private label credit card portfolios.

Delinquencies. A credit card account is contractually delinquent if we do not receive the minimum payment by the specified due date on the cardholder's statement. It is our policy to continue to accrue interest and fee income on all credit card accounts beyond 90 days, except in limited circumstances, until the account balance and all related interest and other fees are paid or charged off, typically at 180 days delinquent. When an account becomes delinquent, we print a message on the cardholder's billing statement requesting payment. After an account becomes 30 days past due, a proprietary collection scoring algorithm automatically scores the risk of the account rolling to a more delinquent status. The collection system then recommends a collection strategy for the past due account based on the collection score and account balance and dictates the contact schedule and collections priority for the account. If we are unable to make a collection after exhausting all in-house efforts, we engage collection agencies and outside attorneys to continue those efforts. Delinquency rates subsequent to the 2005 bankruptcy reform legislation have generally risen as it has become more difficult to file for bankruptcy protection under the law.

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

	December 31, 2007	% of Total	December 31, 2006	% of Total
	(In thousands, except percentages)			
Receivables outstanding	$4,157,287	100%	$4,171,262	100%
Receivables balances contractually delinquent:				
31 to 60 days	70,512	1.7%	62,221	1.5%
61 to 90 days	48,755	1.2	40,929	1.0
91 or more days	101,928	2.4	88,078	2.1
Total	$ 221,195	5.3%	$ 191,228	4.6%

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

	Year Ended December 31,		
	2007	2006	2005
	(In thousands, except percentages)		
Average managed receivables	$3,909,627	$3,640,057	$3,170,485
Net charge-offs	227,393	180,449	207,397
Net charge-offs as a percentage of average managed receivables	5.8%	5.0%	6.5%

The net charge-off rate during 2006 was impacted by abnormally low credit losses resulting from the enactment of bankruptcy reform legislation during the fourth quarter of 2005. Although we continued to benefit from the impact of the legislation in our 2007 results, the impact is significantly less than in 2006.

Age of Portfolio. The median age of the portfolio is approximately 36 months. The following table sets forth, as of December 31, 2007, the number of securitized accounts with balances and the related balances outstanding, based upon the age of the securitized accounts:

Age Since Origination	Number of Accounts	Percentage of Accounts	Balances Outstanding	Percentage of Balances Outstanding
		(In thousands, except percentages)		
0-12 Months	2,719	24.4%	$ 845,846	22.8%
13-24 Months	1,671	15.1	538,673	14.5
25-36 Months	1,232	11.1	407,448	11.0
37-48 Months	993	9.0	331,969	9.0
49-60 Months	874	7.9	293,222	7.9
Over 60 Months	3,604	32.5	1,288,267	34.8
Total	11,093	100.0%	$3,705,425	100.0%

Liquidity and Capital Resources

Operating Activities. We have historically generated cash flows from operations, although that amount may vary based on fluctuations in working capital and the timing of merchant settlement activity. Our operating cash flow is seasonal, with cash utilization peaking at the end of December due to increased activity in our Credit Services segment related to holiday retail sales.

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Cash provided by operating activities before changes in credit card portfolio activity and merchant settlement activity	$461,862	$376,847	$ 293,863
Net change in credit card portfolio activity	(5,780)	80,890	(186,419)
Net change in merchant settlement activity	115,439	11,043	1,637
Cash provided by operating activities	$571,521	$468,780	$ 109,081

Net change in credit card portfolio activity represents the difference in portfolios purchased from new clients and their subsequent sale to our securitization trusts. There is typically a several month lag between the purchase and sale of credit card portfolios. Merchant settlement activity is driven by the number of days of float at the end of the period. For these purposes, “float” means the difference between the number of days we hold cash before remitting the cash to our merchants and the number of days the card associations hold cash before remitting the cash to us. Merchant settlement activity fluctuates significantly depending on the day in which the period ends.

We generated cash flow from operating activities before changes in credit card portfolio activity and merchant settlement activity of $461.9 million for the year ended December 31, 2007 compared to $376.8 million for the comparable period in 2006 or a 22.6% increase. The increase in operating cash flows before changes in credit card portfolio activity and merchant settlement activity is primarily related to an increase in net income as adjusted for non-cash charges. We utilize our cash flow from operations for ongoing business operations, acquisitions and capital expenditures.

Investing Activities. We use a significant portion of our cash flows from operations for acquisitions and capital expenditures. We utilized cash flow from investing activities of $694.8 million for the year ended December 31, 2007 compared to $543.0 million for the comparable period in 2006. Significant components of investing activities are as follows:

- *Acquisitions.* During the year ended December 31, 2007, we had payments for acquired businesses totaling $438.2 million compared to $205.6 million in 2006, net of cash acquired. In 2007, the cash

outlay relates primarily to the acquisition of Abacus. In 2006, we acquired four businesses, which included DoubleClick Email Solutions, ICOM, Big Designs, and CPC Associates, all of which complemented and expanded our Marketing Services segment.

- *Securitizations and Receivables Funding.* We generally fund all private label credit card receivables through a securitization program that provides us with both liquidity and lower borrowing costs. As of December 31, 2007, we had over $3.7 billion of securitized credit card receivables. Securitizations require credit enhancements in the form of cash, spread accounts and additional receivables. The credit enhancement is funded through the use of certificates of deposit issued through our subsidiary, World Financial Network National Bank. Net securitization and credit card receivable activity utilized $128.8 million for the year ended December 31, 2007 compared to $236.5 million in 2006. We intend to utilize our securitization program for the foreseeable future.
- *Capital Expenditures.* Our capital expenditures for the year ended December 31, 2007 were $116.7 million compared to $100.4 million for the prior year. Capital expenditures have typically been about 5% of annual revenue. During 2008, as certain office relocations and system conversions have been completed, we anticipate that capital expenditures will continue to decrease to approximately 3% of annual revenues.

Financing Activities. Our cash flows provided by financing activities were $197.1 million in 2007 compared to $112.3 million provided by financing activities in 2006. Our financing activities for 2007 relate to borrowings and repayments of debt in the normal course of business, business acquisitions, $108.5 million for the repurchase of our common stock on the open market, proceeds from certain sales-lease back transactions and proceeds from the exercise of stock options.

Liquidity Sources. In addition to cash generated from operating activities, we have five main sources of liquidity: securitization program, certificates of deposit issued by World Financial Network National Bank and World Financial Capital Bank, our credit facilities and issuances of equity securities. We believe that internally generated funds and existing sources of liquidity are sufficient to meet working capital needs, capital expenditures, and other business requirements, excluding the Merger, for at least the next 12 months.

If the Merger is consummated, we expect it will have a significant impact on liquidity and capital resources. Parent and Merger Sub have obtained equity and debt financing commitments for the transactions contemplated by the Merger Agreement, the proceeds of which, together with the available cash, will be sufficient for Parent and Merger Sub to pay the aggregate merger consideration and all related fees and expenses of the transactions contemplated by the Merger Agreement.

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

	2008	2009	2010	2011	2012 & Thereafter	Total
			(In thousands)			
Public notes	$ 600,000	$ 500,000	$ —	$ 450,000	$ 500,000	$ 2,050,000
Private conduits[1]	2,085,714	—	—	—	—	2,085,714
Total	$ 2,685,714	$ 500,000	$ —	$ 450,000	$ 500,000	$ 4,135,714

(1) Represents borrowing capacity, not outstanding borrowings. In the fourth quarter of 2007 we renewed and amended $1,085.7 million of our $2,085.7 million private conduits under similar terms.

As of December 31, 2007, the WFN Trusts had over $3.7 billion of securitized credit card receivables. Securitizations require credit enhancements in the form of cash, spread deposits and additional receivables. The credit enhancement is principally based on the outstanding balances of the series issued by the WFN Trusts and by the performance of the private label credit cards in the securitization trust. During the period from November to January, the WFN Trusts are required to maintain a credit enhancement level of between 6% and 10% of securitized credit card receivables. Certain of the WFN Trusts are required to maintain a level of between 4% and 9% for the remainder of the year.

Certificates of Deposit. We utilize certificates of deposit to finance the operating activities and fund securitization enhancement requirements of our credit card bank subsidiaries, World Financial Network National Bank and World Financial Capital Bank. World Financial Network National Bank and World Financial Capital Bank issue certificates of deposit in denominations of $100,000 in various maturities ranging between three months and two years and with effective annual fixed rates ranging from 5.0% to 5.7%. As of December 31, 2007, we had $370.4 million of certificates of deposit outstanding. Certificate of deposit borrowings are subject to regulatory capital requirements.

Credit Facilities. On January 24, 2007, we entered into a bridge loan that provides for loans in a maximum amount of $400.0 million. At the closing of the bridge loan, we borrowed $300.0 million for general corporate purposes including the repayment of debt and the financing of permitted acquisitions. The bridge loan included an uncommitted accordion feature of up to $100.0 million allowing for future borrowings, subject to certain conditions.

On July 6, 2007, we entered into a first amendment to the bridge loan to extend the maturity date from July 24, 2007 to December 31, 2007. On December 21, 2007, we entered into a second amendment to the bridge loan which extended the maturity date from December 31, 2007 to March 31, 2008 and eliminated the uncommitted accordion feature, which had allowed for future borrowings up to $100.0 million, subject to certain conditions. In addition, the second amendment adjusts the margin applicable to base rate loans and Eurodollar loans to those set forth below. We anticipate renewing or refinancing the bridge loan prior to March 31, 2008. If we are not able to refinance the bridge loan, we would expect to repay the amounts from available cash and borrowings under our consolidated credit facility.

The interest rate for base rate loans fluctuates and is equal to the higher of (A) the Bank of Montreal's prime rate and (B) the Federal funds rate plus 0.5% plus a margin of (1) 0.0% to 0.2% for the period from January 1 to January 31, 2008; (2) 0.0% to 0.45% for the period from February 1 to February 29, 2008; and (3) 0.1% to 0.70% for the period from March 1 to March 31, 2008, based upon our Senior Leverage Ratio as defined in the bridge loan. The interest rate for Eurodollar loans fluctuates based on the London interbank offered rate plus a margin of (1) 1.1% to 1.7% for the period from January 1 to January 31, 2008; (2) 1.35% to 1.95% for the period from February 1 to February 29, 2008; and (3) 1.6% to 2.2% for the period from March 1 to March 31, 2008, based upon our Senior Leverage Ratio as defined in the bridge loan.

In March 2007, we amended our consolidated credit facility. The amendment extended the lending commitments which were scheduled to terminate on September 29, 2011 to March 30, 2012. In addition, the amendment adjusted the Senior Leverage Ratio applicable to the various levels set forth in the agreement and the margin applicable to Eurodollar loans. After giving effect to the amendment, the interest rate for Eurodollar loans denominated in U.S. or Canadian Dollars fluctuates based on the rate at which deposits of U.S. Dollars or Canadian Dollars, respectively, in the London interbank market are quoted plus a margin of 0.4% to 0.8% based upon the Senior Leverage Ratio as defined in the consolidated credit facility.

We were in compliance with the covenants under our credit facilities at December 31, 2007.

Senior Notes. On October 22, 2007, the Company entered into an amendment in respect of the Note Purchase Agreement with all of the Holders (as defined in the Note Purchase Agreement) providing for a mandatory prepayment of all of the Notes on the date that the Merger is consummated. The Notes would be

repaid at 100% of the principal amount plus accrued and unpaid interest to the date of prepayment and the Make-Whole Amount (as defined in the Note Purchase Agreement) as determined for the prepayment date in accordance with the terms of the amendment. The obligation of the Company to prepay the Notes pursuant to the terms of the amendment was subject to and conditioned upon the occurrence of the Merger on or prior to January 1, 2008 and therefore is void and of no further force and effect since the Merger did not close on or prior to that date.

We utilize our credit facilities and excess cash flows from operations to support our acquisition strategy and to fund working capital and capital expenditures. However, we will incur significant indebtedness in order to complete the Merger and our future financing needs will be materially impacted by the Merger. Future indebtedness may impose various restrictions and covenants on us that could limit our ability to respond to market conditions or take advantage of business opportunities. If the Merger is consummated, our ability to fund working capital, capital expenditures, debt service, strategic acquisitions, and other investments will depend on our ability to generate cash flows from operations, which is subject to general economic, financial, competitive, regulatory and other factors that are not within our control.

At December 31, 2007, we had borrowings of $421.0 million outstanding under the consolidated credit facility and the bridge loan, with a weighted average interest rate of 7.2%, $500.0 million under our senior notes, $2.0 million of standby letters of credit outstanding, and we had available unused borrowing capacity of approximately $416.9 million. The credit facility limits our aggregate outstanding letters of credit to $50.0 million. Additional details regarding our credit facilities and senior notes are set forth in Note 12 “Debt” of our audited consolidated financial statements.

Repurchase of Equity Securities. During 2007, 2006, and 2005, we repurchased approximately 1.8 million, 2.9 million and 3.9 million shares of our common stock for an aggregate amount of $108.5 million, $146.0 million and $148.8 million, respectively. We have Board authorization to purchase an additional $496.7 million of our common stock through 2008.

Per the terms of the Merger Agreement, we agreed that from May 17, 2007 until the effective time of the Merger or the expiration or termination of the Merger Agreement, with certain exceptions, we would not purchase any of our capital stock. Accordingly we have suspended any repurchases under our stock repurchase programs or otherwise. Debt covenants in the consolidated credit facility restrict the amount of funds that we have available for repurchases of our common stock in any calendar year. The limitation for each calendar year was $200.0 million beginning with 2006, increasing to a maximum of $250.0 million in 2007 and $300.0 million in 2008, conditioned on certain increases in our Consolidated Operating EBITDA as defined in the consolidated credit facility.

Contractual Obligations. The following table highlights, as of December 31, 2007, our contractual obligations and commitments to make future payments by type and period:

	2008	2009 & 2010	2011 & 2012	2013 & Thereafter	Total
			(In thousands)		
Certificates of deposit[1]	$375,304	$ —	$ —	$ —	$ 375,304
Bridge loan[1]	305,408	—	—	—	305,408
Credit facility[1]	8,773	17,545	131,912	—	158,230
Senior notes[1]	30,350	286,289	265,350	—	581,989
Operating leases	55,013	82,732	53,507	89,224	280,476
Capital leases	18,030	24,836	466	—	43,332
Software licenses	6,777	10,746	—	—	17,523
FIN No. 48 obligations[2]	—	1,959	572	—	2,531
Purchase obligations[3]	78,362	30,740	22,193	—	131,295
	$878,017	$ 454,847	$ 474,000	$ 89,224	$1,896,088

(1) The certificates of deposit and credit facilities represent our estimated debt service obligations, including both principle and interest. Interest was based on the interest rates in effect as of December 31, 2007, applied to the contractual repayment period.

(2) Does not reflect unrecognized tax benefits of approximately $80 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 and earnings are favorably affected by increased consumer spending patterns leading up to and including the holiday shopping period in the fourth quarter and, to a lesser extent, during the first quarter as credit card balances are paid down.

Regulatory Matters

World Financial Network National Bank is subject to various regulatory capital requirements administered by the OCC. World Financial 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 that, if undertaken, could have a material adverse effect on our financial statements. Under the FDIC's order approving World Financial Capital Bank's application for deposit insurance, World Financial Capital Bank must meet specific capital ratios and paid-in capital minimums and must maintain adequate allowances for loan losses. If World Financial Capital Bank fails to meet the terms of the FDIC's order, the FDIC may withdraw insurance coverage from World Financial Capital Bank, and the State of Utah may withdraw its approval of World Financial Capital Bank. Under capital adequacy guidelines

and the regulatory framework for prompt corrective action, World Financial Network National Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. World Financial Network National Bank is limited in the amounts that it can pay as dividends to us.

Quantitative measures established by regulations to ensure capital adequacy require World Financial Network National Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk weighted assets and of Tier 1 capital to average assets. Under the regulations, a "well capitalized" institution must have a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order. An "adequately capitalized" institution must have a Tier 1 capital ratio of at least 4%, a total capital ratio of at least 8% and a leverage ratio of at least 4%, but 3% is allowed in some cases. Under these guidelines, World Financial Network National Bank is considered well capitalized. As of December 31, 2007, World Financial Network National Bank's Tier 1 capital ratio was 35.0%, total capital ratio was 36.7% and leverage ratio was 51.6%, and World Financial Network National Bank was not subject to a capital directive order. On April 22, 2005, World Financial Capital Bank received non-disapproval notification for a modification of the original three-year business plan. The letter of non-disapproval was issued jointly by the State of Utah and the FDIC. World Financial Capital Bank, under the terms of the letter, must maintain total risk-based capital equal to or exceeding 10% of total risk-based assets and must maintain Tier 1 capital to total assets ratio of not less than 16%. Both capital ratios were maintained at or above the indicated levels until the end of the bank's de novo period on November 30, 2006.

As part of an acquisition in 2003 by World Financial Network National Bank, which required approval by the OCC, the OCC required World Financial Network National Bank to enter into an operating agreement with the OCC and a capital adequacy and liquidity maintenance agreement with us. The operating agreement requires World Financial Network National Bank to continue to operate in a manner consistent with its current practices, regulatory guidelines and applicable law, including those related to affiliate transactions, maintenance of capital and corporate governance. This operating agreement has not required any changes in World Financial Network National Bank's operations. The capital adequacy and liquidity maintenance agreement memorializes our current obligations to World Financial Network National Bank.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 establishes a new definition of fair value as well as a fair value hierarchy that prioritizes the information used to develop the assumptions, and requires new disclosures of assets and liabilities measured at fair value based on their level in the hierarchy. The standard is effective for fiscal years beginning after November 15, 2007. In December 2007, the FASB proposed a one-year deferral for non-financial assets and liabilities to comply with SFAS No. 157. We are currently in the process of evaluating the effect that the adoption of SFAS No. 157 will have on our consolidated financial position, results of operations and cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "Establishing the Fair Value Option for Financial Assets and Liabilities" ("SFAS No. 159"), to permit all entities to choose to elect to measure eligible financial instruments at fair value. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157. An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. We are currently in the process of evaluating the effect that the adoption of SFAS No. 159 will have on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007) ("SFAS No. 141R"), "Business Combinations" and Statement of Financial Accounting Standards No. 160 "Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin

No. 51" ("SFAS No. 160"). SFAS No. 141R will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS No. 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. Both statements are required to be adopted for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact that SFAS No. 141R and SFAS No. 160 will have on our consolidated financial statements.

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 off-balance sheet risk, interest rate risk, credit risk, foreign currency exchange rate risk and redemption reward risk.

Off-Balance Sheet Risk. We are subject to off-balance sheet risk in the normal course of business, including commitments to extend credit and through our securitization program. We sell substantially all of our credit card receivables to the WFN Trusts, qualifying special purpose entities. The trusts enter into interest rate swaps to reduce the interest rate sensitivity of the securitization transactions. The securitization program involves elements of credit, market, interest rate, legal and operational risks in excess of the amount recognized on the balance sheet through our retained interests in the securitization and the interest-only strips.

Interest Rate Risk. Interest rate risk affects us directly in our lending and borrowing activities. Our total interest incurred was approximately $248.1 million for 2007, which includes both on-and off-balance sheet transactions. Of this total, $80.2 million of the interest expense for 2007 was attributable to on-balance sheet indebtedness and the remainder to our securitized credit card receivables, which are financed off-balance sheet. To manage our risk from market interest rates, we actively monitor the interest rates and the interest sensitive components both on- and off-balance sheet to minimize the impact that changes in interest rates have on the fair value of assets, net income and cash flow. To achieve this objective, we manage our exposure to fluctuations in market interest rates by matching asset and liability repricings and through the use of fixed-rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. In addition, we enter into derivative financial instruments such as interest rate swaps and treasury locks to mitigate our interest rate risk on a related financial instrument or to lock the interest rate on a portion of our variable debt. We do not enter into derivative or interest rate transactions for trading or other speculative purposes. At December 31, 2007, we had $4.8 billion of debt, including $3.5 billion of off-balance sheet debt from our securitization program.

	As of December 31, 2007		
	Fixed rate	Variable rate	Total
		(In millions)	
Off-balance sheet	$ 2,050.0	$ 1,438.4	$ 3,488.4
On-balance sheet	909.5	421.0	1,330.5
Total	$ 2,959.5	$ 1,859.4	$ 4,818.9

- At December 31, 2007, our fixed rate off-balance sheet debt was locked at a current effective interest rate of 4.3% through interest rate swap agreements.
- At December 31, 2007, our fixed rate on-balance sheet debt was subject to fixed rates with a weighted average interest rate of 5.5%.

The approach we use to quantify interest rate risk is a sensitivity analysis which we believe best reflects the risk inherent in our business. This approach calculates the impact on pretax income from an instantaneous and sustained increase in interest rates of 1.0%. In 2007, a 1.0% increase in interest rates would have resulted in a decrease to fiscal year pretax income of approximately $10.0 million. Conversely, a corresponding decrease in

interest rates would have resulted in a comparable increase to pretax income. 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 credit cards that we issue will not repay their revolving credit card loan balances. We have developed credit risk models designed to identify qualified consumers who fit our risk parameters. To minimize our risk of loan write-offs, we control approval rates of new accounts and related credit limits and follow strict collection practices. We monitor the buying limits, as well as set pricing regarding fees and interest rates charged.

Foreign Currency Exchange Rate Risk. We are exposed to fluctuations in the exchange rate between the U.S. and the Canadian dollar through our significant Canadian operations. We do not hedge any of our net investment exposure in our Canadian subsidiary. A 1% increase in the Canadian exchange rate would have resulted in an increase in pretax income of $1.2 million. Conversely, a corresponding decrease in the exchange rate would result in a comparable decrease to pretax income.

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

- have multi-year supply agreements with several Canadian, U.S. and international airlines;
- are seeking new supply agreements with additional airlines;
- periodically alter the total mix of rewards available to collectors with the introduction of new merchandise rewards, which are typically lower cost per AIR MILES reward mile than air travel;
- allow collectors to obtain certain travel rewards using a combination of reward miles and cash or cash alone in addition to using AIR MILES reward miles alone; and
- periodically adjust the number of AIR MILES reward miles required to be redeemed to obtain a reward.

A 1% increase in the cost of redemptions would have resulted in a decrease in pretax income of $3.0 million. Conversely, a corresponding decrease in the cost of redemptions would result in a comparable increase to pretax income.

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, 2007, 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, 2007, 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 Securities and Exchange Commission's rules and forms and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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.

Our evaluation of and conclusion on the effectiveness of internal control over financial reporting as of December 31, 2007 did not include the internal controls of Abacus, because of the timing of the acquisition, which was completed in February 2007. As of December 31, 2007, this entity constituted approximately $404.7 million of total assets, $112.2 million of revenues and $9.7 million of net income for the year then ended.

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.* Based on our evaluation and those criteria, our internal control over financial reporting was effective as of December 31, 2007.

During 2007, we completed the process of converting Abacus's legacy general ledger platform to the platform utilized by the majority of our business units. There have been no other changes in our internal control over financial reporting during the fourth quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of internal control over financial reporting as of December 31, 2007, 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.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated by reference to the Proxy Statement for the 2008 Annual Meeting of our stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2007.

Item 11. Executive Compensation

Incorporated by reference to the Proxy Statement for the 2008 Annual Meeting of our stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2007.

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

Incorporated by reference to the Proxy Statement for the 2008 Annual Meeting of our stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2007.

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

Incorporated by reference to the Proxy Statement for the 2008 Annual Meeting of our stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2007.

Item 14. Principal Accounting Fees and Services

Incorporated by reference to the Proxy Statement for the 2008 Annual Meeting of our stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2007.

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.	Description
2.1	Purchase Agreement, dated as of December 22, 2006, by and among DoubleClick Inc., Alliance Data Systems Corporation and Alliance Data FHC, Inc. (incorporated by reference to Exhibit No. 2.1 to our Current Report on Form 8-K filed with the SEC on December 28, 2006, File No. 0001-15749).
2.2	Agreement and Plan of Merger by and among Aladdin Holdco, Inc., Aladdin Merger Sub, Inc. and Alliance Data Systems Corporation dated as of May 17, 2007 (incorporated by reference to Exhibit No. 2.1 to our Current Report on Form 8-K filed with the SEC on May 17, 2007, File No. 001-15749).
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit No. 3.1 to our Registration Statement on Form S-1 filed with the SEC on March 3, 2000, File No. 333-94623).
3.2	Second Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit No. 3.2 to our Registration Statement on Form S-1 filed with the SEC on March 3, 2000, File No. 333-94623).
3.3	First Amendment to the Second Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit No. 3.3 to our Registration Statement on Form S-1 filed with the SEC on May 4, 2001, File No. 333-94623).
3.4	Second Amendment to the Second Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit No. 3.4 to our Annual Report on Form 10-K, filed with the SEC on April 1, 2002, File No. 001-15749).
4	Specimen Certificate for shares of Common Stock of the Registrant (incorporated by reference to Exhibit No. 4 to our Quarterly Report on Form 10-Q filed with the SEC on August 8, 2003, File No. 001-15749).
10.1	Build-to-Suit Net Lease between Opus South Corporation and ADS Alliance Data Systems, Inc., dated January 29, 1998, as amended (incorporated by reference to Exhibit No. 10.10 to our Annual Report on Form 10-K, filed with the SEC on April 1, 2002, File No. 001-15749).
*10.2	Fourth Amendment to Build-to-Suit Net Lease between Opus South Corporation and ADS Alliance Data Systems, Inc., dated September 3, 2004.
10.3	Commercial Lease Agreement by and between Waterview Parkway L.P. and ADS Alliance Data Systems, Inc., dated July 16, 1997 (incorporated by reference to Exhibit No. 10.22 to our Registration Statement on Form S-1 filed with the SEC on January 13, 2000, File No. 333-94623).
*10.4	First Amendment to Commercial Lease Agreement by and between Waterview Parkway L.P. and ADS Alliance Data Systems, Inc., dated May 20, 2006.

Exhibit No.	Description
10.5	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 (incorporated by reference to Exhibit No. 10.17 to our Registration Statement on Form S-1 filed with the SEC on January 13, 2000, File No. 333-94623).
*10.6	Fifth Amendment to Office Lease between Office City, Inc. and World Financial Network National Bank, dated March 29, 2004.
10.7	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 (incorporated by reference to Exhibit No. 10.18 to our Registration Statement on Form S-1 filed with the SEC on January 13, 2000, File No. 333-94623).
10.8	Fourth Amendment to Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated June 1, 2000 (incorporated by reference to Exhibit No. 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on May 14, 2003, File No. 001-15749).
10.9	Fifth Amendment to Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated June 30, 2001 (incorporated by reference to Exhibit No. 10.10 to our Annual Report on Form 10-K filed with the SEC on March 3, 2006, File No. 001-15749).
*10.10	Sixth Amendment to Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated January 27, 2006.
10.11	Lease Agreement by and between Petula Associates, Ltd. and Compass International Services, dated August 28, 1998, as amended (incorporated by reference to Exhibit No. 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on August 8, 2003, File No. 001-15749).
10.12	Lease Agreement by and between 601 Edgewater LLC and Epsilon Data Management, Inc., dated July 30, 2002 (incorporated by reference to Exhibit No. 10.17 to our Annual Report on Form 10-K filed with the SEC on March 4, 2005, File No. 001-15749).
*10.13	First Amendment to Lease Agreement by and between 601 Edgewater LLC and Epsilon Data Management, Inc., dated August 29, 2007.
10.14	Lease Agreement by and between Sterling Direct, Inc. and Sterling Properties, L.L.C., dated September 22, 1997, as subsequently assigned (incorporated by reference to Exhibit No. 10.18 to our Annual Report on Form 10-K filed with the SEC on March 4, 2005, File No. 001-15749).
10.15	Sublease by and between SonicNet, Inc. and Bigfoot Interactive, Inc., dated as of March 2003 (incorporated by reference to Exhibit No. 10.15 to our Annual Report on Form 10-K filed with the SEC on March 3, 2006, File No. 001-15749).
10.16	Lease Agreement by and between KDC-Regent I Investments, LP and Epsilon Data Management, Inc., dated May 31, 2005 (incorporated by reference to Exhibit No. 10.17 to our Annual Report on Form 10-K filed with the SEC on March 3, 2006, File No. 001-15749).
*10.17	Second Amendment to Lease Agreement by and between KDC-Regent I Investments, LP and Epsilon Data Management, Inc., dated May 11, 2007.
10.18	Lease between 592423 Ontario Inc. and Loyalty Management Group Canada, Inc., dated November 14, 2005 (incorporated by reference to Exhibit No. 10.18 to our Annual Report on Form 10-K filed with the SEC on February 26, 2007, File No. 001-15749).
10.19	Lease Agreement by and between ADS Place Phase I, LLC and ADS Alliance Data Systems, Inc. dated August 25, 2006 (incorporated by reference to Exhibit No. 10.20 to our Annual Report on Form 10-K filed with the SEC on February 26, 2007, File No. 001-15749).

Exhibit No.	Description
*10.20	Agreement of Lease by and between 11 West 19th Associates LLC and Epsilon Data Management LLC, dated March 15, 2007.
*10.21	Office Lease by and between Location[3] Limited and 3407276 Canada, Inc., dated as of July 20, 1999.
*10.22	Lease Agreement by and between DoubleClick Inc. and Epsilon Data Management LLC, dated as of February 1, 2007, as amended June 2007.
10.23	Capital Assurance and Liquidity Maintenance Agreement, dated August 28, 2003, by and between Alliance Data Systems Corporation and World Financial Network National Bank (incorporated by reference to Exhibit No. 10.3 to our Registration Statement on Form S-3 filed with the SEC on October 15, 2003, File No. 333-109713).
+10.24	Alliance Data Systems Corporation Executive Deferred Compensation Plan (incorporated by reference to Exhibit No. 10.23 to our Annual Report on Form 10-K filed with the SEC on March 4, 2005, File No. 001-15749).
+10.25	Alliance Data Systems Corporation Executive Annual Incentive Plan (incorporated by reference to Exhibit B to our Definitive Proxy Statement filed with the SEC on April 29, 2005, File No. 001-15749).
+10.26	Alliance Data Systems Corporation 2005 Incentive Compensation Plan (incorporated by reference to Exhibit No. 10.1 to our Quarterly Report on Form 10-Q, filed with the SEC on May 6, 2005, File No. 001-15749).
+10.27	Alliance Data Systems Corporation 2006 Incentive Compensation Plan (incorporated by reference to Exhibit No. 10.28 to our Annual Report on Form 10-K filed with the SEC on March 3, 2006, File No. 001-15749).
+10.28	Alliance Data Systems Corporation 2007 Incentive Compensation Plan (incorporated by reference to Exhibit No. 10.26 to our Annual Report on Form 10-K filed with the SEC on February 26, 2007, File No. 001-15749).
+10.29	Amended and Restated Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Plan (incorporated by reference to Exhibit No. 10.34 to our Registration Statement on Form S-1 filed with the SEC on May 4, 2001, File No. 333-94623).
+10.30	Form of Alliance Data Systems Corporation Incentive Stock Option Agreement under the Amended and Restated Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Plan (incorporated by reference to Exhibit No. 10.35 to our Registration Statement on Form S-1 filed with the SEC on January 13, 2000, File No. 333-94623)
+10.31	Form of Alliance Data Systems Corporation Non-Qualified Stock Option Agreement under the Amended and Restated Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Plan (incorporated by reference to Exhibit No. 10.36 to our Registration Statement on Form S-1 filed with the SEC on January 13, 2000, File No. 333-94623).
+10.32	Alliance Data Systems Corporation Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit C to our Definitive Proxy Statement filed with the SEC on April 29, 2005, File No. 001-15749).
+10.33	Alliance Data Systems Corporation 2003 Long-Term Incentive Plan (incorporated by reference to Exhibit No. 4.6 to our Registration Statement on Form S-8 filed with the SEC on June 18, 2003, File No. 333-106246).
+10.34	Alliance Data Systems Corporation 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit A to our Definitive Proxy Statement filed with the SEC on April 29, 2005, File No. 001-15749).

Exhibit No.	Description
+10.35	Form of Nonqualified Stock Option Agreement for awards under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan (incorporated by reference to Exhibit No. 10.4 to our Current Report on Form 8-K filed with the SEC on August 4, 2005, File No. 001-15749).
+10.36	Form of Restricted Stock Award Agreement for awards under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan (incorporated by reference to Exhibit No. 10.5 to our Current Report on Form 8-K filed with the SEC on August 4, 2005, File No. 001-15749).
+10.37	Form of Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan, as amended (incorporated by reference to Exhibit No. 99.1 to our Current Report on Form 8-K filed with the SEC on April 4, 2006, File No. 001-15749).
+10.38	Form of Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan (2007 grant) (incorporated by reference to Exhibit No. 10.99 to our Annual Report on Form 10-K filed with the SEC on February 26, 2007, File No. 001-15749).
+10.39	Form of Agreement for 2007 Special Award under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan (incorporated by reference to Exhibit No. 10.100 to our Annual Report on Form 10-K filed with the SEC on February 26, 2007, File No. 001-15749).
+10.40	Form of Canadian Nonqualified Stock Option Agreement for awards under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan (incorporated by reference to Exhibit No. 10.101 to our Annual Report on Form 10-K filed with the SEC on February 26, 2007, File No. 001-15749).
+10.41	Form of Canadian Restricted Stock Award Agreement for awards under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan (incorporated by reference to Exhibit No. 10.102 to our Annual Report on Form 10-K filed with the SEC on February 26, 2007, File No. 001-15749).
+10.42	Form of Canadian Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan (2007 grant) (incorporated by reference to Exhibit No. 10.103 to our Annual Report on Form 10-K filed with the SEC on February 26, 2007, File No. 001-15749).
+10.43	Form of Canadian Agreement for 2007 Special Award under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan (incorporated by reference to Exhibit No. 10.104 to our Annual Report on Form 10-K filed with the SEC on February 26, 2007, File No. 001-15749).
+10.44	Form of Non-Employee Director Nonqualified Stock Option Agreement (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K filed with the SEC on June 13, 2005, File No. 001-15749).
+10.45	Form of Non-Employee Director Share Award Letter (incorporated by reference to Exhibit No. 10.2 to our Current Report on Form 8-K filed with the SEC on June 13, 2005, File No. 001-15749).
+10.46	Alliance Data Systems Corporation Non-Employee Director Deferred Compensation Plan (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K, filed with the SEC on June 9, 2006, File No. 001-15749).
+10.47	Form of Alliance Data Systems Associate Confidentiality Agreement (incorporated by reference to Exhibit No. 10.24 to our Annual Report on Form 10-K filed with the SEC on March 12, 2003, File No. 001-15749).
+10.48	Form of Alliance Data Systems Corporation Indemnification Agreement for Officers and Directors (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K filed with the SEC on February 1, 2005, File No. 001-15749).

Exhibit No.	Description
+10.49	Alliance Data Systems 401(k) Retirement and Savings Plan (incorporated by reference to Exhibit No. 99.1 to our Registration Statement on Form S-8 filed with the SEC on July 20, 2001, File No. 333-65556).
+10.50	Amendment, dated February 4, 2003, to Alliance Data Systems 401(k) Retirement and Savings Plan (incorporated by reference to Exhibit No. 10.7 to our Quarterly Report on Form 10-Q filed with the SEC on May 14, 2003, File No. 001-15749).
+10.51	Amendment No. 2, dated April 7, 2003, to Alliance Data Systems 401(k) Retirement and Savings Plan (incorporated by reference to Exhibit No. 10.8 to our Quarterly Report on Form 10-Q filed with the SEC on May 14, 2003, File No. 001-15749).
+10.52	Amendment No. 3, dated May 8, 2003, to Alliance Data Systems 401(k) Retirement and Savings Plan (incorporated by reference to Exhibit No. 10.9 to our Quarterly Report on Form 10-Q filed with the SEC on May 14, 2003, File No. 001-15749).
+10.53	Amendment No. 4, dated June 9, 2003, to Alliance Data Systems 401(k) Retirement and Savings Plan (incorporated by reference to Exhibit No. 10.32 to our Annual Report on Form 10-K filed with the SEC on March 5, 2004, File No. 001-15749).
+10.54	Amendment No. 5, dated September 29, 2003, to Alliance Data Systems 401(k) Retirement and Savings Plan (incorporated by reference to Exhibit No. 10.33 to our Annual Report on Form 10-K filed with the SEC on March 5, 2004, File No. 001-15749).
+10.55	Amendment No. 6, dated December 12, 2003, to Alliance Data Systems 401(k) Retirement and Savings Plan (incorporated by reference to Exhibit No. 10.34 to our Annual Report on Form 10-K filed with the SEC on March 5, 2004, File No. 001-15749).
+10.56	Amendment No. 7, dated December 12, 2003, to Alliance Data Systems 401(k) Retirement and Savings Plan (incorporated by reference to Exhibit No. 10.35 to our Annual Report on Form 10-K filed with the SEC on March 5, 2004, File No. 001-15749).
+10.57	Amendment No. 8, dated December 12, 2003, to Alliance Data Systems 401(k) Retirement and Savings Plan (incorporated by reference to Exhibit No. 10.36 to our Annual Report on Form 10-K filed with the SEC on March 5, 2004, File No. 001-15749).
+10.58	Letter employment agreement with J. Michael Parks, dated February 19, 1997 (incorporated by reference to Exhibit 10.39 to our Registration Statement on Form S-1 filed with the SEC on January 13, 2000, File No. 333-94623).
+10.59	Letter employment agreement with Ivan Szeftel, dated May 4, 1998 (incorporated by reference to Exhibit 10.40 to our Registration Statement on Form S-1 filed with the SEC on January 13, 2000, File No. 333-94623).
10.60	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. (incorporated by reference to Exhibit No. 10.43 to our Registration Statement on Form S-1 filed with the SEC on January 13, 2000, File No. 333-94623) (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).
10.61	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. (incorporated by reference to Exhibit No. 10.44 to our Registration Statement on Form S-1 filed with the SEC on January 13, 2000, File No. 333-94623).

Exhibit No.	Description
10.62	Second Amended and Restated Pooling and Servicing Agreement, dated as of January 17, 1996 amended and restated as of September 17, 1999 and August 2001 by and among WFN Credit Company, LLC, World Financial Network National Bank, and BNY Midwest Trust Company (incorporated by reference to Exhibit No. 4.6 to the Registration Statement on Form S-3 of world financial network credit card master trust filed with the SEC on July 5, 2001, File No. 333-60418).
10.63	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 (incorporated by reference to Exhibit No. 4.1 to the Current Report on Form 8-K filed by WFN Credit Company, LLC, World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust on August 4, 2004, File Nos. 333-60418, 333-60418-01 and 333-113669).
10.64	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 (incorporated by reference to Exhibit No. 4.1 to the Current Report on Form 8-K filed by World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust on April 4, 2005, File Nos. 333-60418, 333-60418-01 and 333-113669).
10.65	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 (incorporated by reference to Exhibit No. 4.1 to the Current Report on Form 8-K filed by WFN Credit Company, LLC and World Financial Network Credit Card Master Note Trust on June 15, 2007, File Nos. 333-60418 and 333-113669).
10.66	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 (incorporated by reference to Exhibit No. 4.1 to the Current Report on Form 8-K filed by WFN Credit Company, LLC, World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust on October 31, 2007, File Nos. 333-60418, 333-60418-01 and 333-113669).
10.67	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 (incorporated by reference to Exhibit No. 4 to the Current Report on Form 8-K filed by WFN Credit Company, LLC and World Financial Network Credit Card Master Trust on April 22, 2003, File Nos. 333-60418 and 333-60418-01).
10.68	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 (incorporated by reference to Exhibit No. 4.3 to the Registration Statement on Form S-3 of World Financial Network Credit Card Master Trust filed with the SEC on July 5, 2001, File No. 333-60418).
10.69	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 (incorporated by reference to Exhibit No. 4.2 to the Current Report on Form 8-K filed by WFN Credit Company, LLC and World Financial Network Credit Card Master Trust on November 20, 2002, File Nos. 333-60418 and 333-60418-01).

Exhibit No.	Description
10.70	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 (incorporated by reference to Exhibit No. 4.2 of the Current Report on Form 8-K filed by WFN Credit Company, LLC, World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust on August 4, 2004, File Nos. 333-60418, 333-60418-01 and 333-113669).
10.71	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 (incorporated by reference to Exhibit No. 4.2 to the Current Report on Form 8-K filed by World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust on April 4, 2005, File Nos. 333-60418, 333-60418-01 and 333-113669).
10.72	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 (incorporated by reference to Exhibit No. 4.2 to the Current Report on Form 8-K filed by WFN Credit Company, LLC and World Financial Network Credit Card Master Note Trust on June 15, 2007, File Nos. 333-60418 and 333-113669).
10.73	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 (incorporated by reference to Exhibit No. 4.2 to the Current Report on Form 8-K filed by WFN Credit Company, LLC, World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust on October 31, 2007, File Nos. 333-60418, 333-60418-01 and 333-113669).
10.74	Receivables Purchase Agreement, dated as of August 1, 2001, between World Financial Network National Bank and WFN Credit Company, LLC (incorporated by reference to Exhibit No. 4.8 to the Registration Statement on Form S-3 of World Financial Network Credit Card Master Trust filed with the SEC on July 5, 2001, File No. 333-60418).
10.75	Master Indenture, dated as of August 1, 2001, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company, as supplemented by the Series 2001-A Indenture Supplement, the Series 2002-A Indenture Supplement, the Series 2002-VFN Supplement (incorporated by reference to Exhibit No. 4.1 to the Registration Statement on Form S-3 filed with the SEC by WFN Credit Company, LLC and World Financial Network Credit Card Master Trust on July 5, 2001, File Nos. 333-60418 and 333-60418-01).
10.76	Series 2003-A Indenture Supplement, dated as of June 19, 2003 (incorporated by reference to Exhibit No. 4.1 to the Current Report on Form 8-K filed by World Financial Network Credit Card Master Trust filed with the SEC on August 28, 2003, File No. 333-60418-01).
10.77	Series 2004-A Indenture Supplement, dated as of May 19, 2004 (incorporated by reference to Exhibit No. 4.1 to the Current Report on Form 8-K filed with the SEC by WFN Credit Company, LLC, World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust on May 27, 2004, File Nos. 333-60418, 333-60418-01 and 333- 113669).
10.78	Series 2004-C Indenture Supplement, dated as of September 22, 2004 (incorporated by reference to Exhibit No. 4.2 of the Current Report on Form 8-K filed with the SEC by WFN Credit Company, LLC, World Financial Network Credit Card Master Trust and World Financial Network Credit Card Master Note Trust on September 28, 2004, File Nos. 333-60418, 333-60418-01 and 333-113669).

Exhibit No.	Description
10.79	Supplemental Indenture No. 1, dated as of August 13, 2003, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company (incorporated by reference to Exhibit No. 4.2 of the Current Report on Form 8-K filed with the SEC by WFN Credit Company, LLC and World Financial Network Credit Card Master Trust on August 28, 2003, File Nos. 333-60418 and 333-60418-01).
10.80	Supplemental Indenture No. 2, dated as of June 13, 2007, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company (incorporated by reference to Exhibit No. 4.3 to the Current Report on Form 8-K filed by WFN Credit Company, LLC and World Financial Network Credit Card Master Note Trust on June 15, 2007, File Nos. 333-60418 and 333-113669).
10.81	Issuance Supplement to Series 2003-A Indenture Supplement, dated as of August 14, 2003, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company (incorporated by reference to Exhibit No. 4.3 of the Current Report on Form 8-K filed with the SEC by World Financial Network Credit Card Master Trust on August 28, 2003, File No. 333-60418-01).
10.82	Note Purchase Agreement, dated as of May 1, 2006, by and among Alliance Data Systems Corporation and the Purchasers party thereto (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K, filed with the SEC on May 18, 2006, File No. 001-15749).
10.83	First Amendment to Note Purchase Agreement, dated as of October 22, 2007, by and among Alliance Data Systems Corporation and the Holders party thereto (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K filed with the SEC on October 23, 2007, File No. 001-15749).
10.84	Subsidiary Guaranty, dated as of May 1, 2006, by ADS Alliance Data Systems, Inc. in favor of the holders from time to time of the Notes (incorporated by reference to Exhibit No. 10.2 to our Current Report on Form 8-K, filed with the SEC on May 18, 2006, File No. 001-15749).
10.85	Credit Agreement, dated as of September 29, 2006, by and among Alliance Data Systems Corporation and certain subsidiaries parties thereto, as Guarantors, Bank of Montreal, as Administrative Agent, Co-Lead Arranger and Sole Book Runner, and various other agents and banks (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K filed with the SEC on October 2, 2006, File No. 001-15749).
10.86	First Amendment to Credit Agreement, dated as of March 30, 2007, by and among Alliance Data Systems Corporation and certain subsidiaries parties thereto as Guarantors, Bank of Montreal, as Administrative Agent and various other agents and banks (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K filed with the SEC on March 30, 2007, File No. 001-15749).
10.87	Joinder to Subsidiary Guaranty, dated as of September 29, 2006, by each of Epsilon Marketing Services, LLC, Epsilon Data Marketing, LLC and Alliance Data Foreign Holdings, Inc. in favor of the holders from time to time of the Senior Notes issued under the Note Purchase Agreement (incorporated by reference to Exhibit No. 10.2 to our Current Report on Form 8-K filed with the SEC on October 2, 2006, File No. 001-15749).
10.88	Credit Agreement, dated as of January 24, 2007, by and among Alliance Data Systems Corporation, certain subsidiaries parties thereto as Guarantors, the Banks from time to time parties thereto, and Bank of Montreal, as Administrative Agent (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K filed with the SEC on January 25, 2007, File No. 001-15749).

Exhibit No.	Description
10.89	First Amendment to Credit Agreement, dated July 6, 2007, by and among Alliance Data Systems Corporation, certain subsidiaries parties thereto as Guarantors, the Banks from time to time parties thereto, and Bank of Montreal, as Administrative Agent (incorporated by reference to Exhibit No. 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on August 6, 2007, File No. 001-15749).
10.90	Second Amendment to Credit Agreement, dated as of December 21, 2007, by and among Alliance Data Systems Corporation and certain subsidiaries parties thereto as Guarantors, Bank of Montreal, as Administrative Agent and various other agents and banks (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K filed with the SEC on December 28, 2007, File No. 001-15749).
+10.91	Form of Change in Control Agreement, dated as of September 25, 2003, by and between ADS Alliance Data Systems, Inc. and each of Edward J. Heffernan, John W. Scullion, Ivan M. Szeftel, Dwayne H. Tucker and Alan M. Utay (incorporated by reference to Exhibit No. 10.1 to our Registration Statement on Form S-3 filed with the SEC on October 15, 2003, File No. 333-109713).
+10.92	Change in Control Agreement, dated as of September 25, 2003, by and between ADS Alliance Data Systems, Inc. and J. Michael Parks (incorporated by reference to Exhibit No. 10.2 to our Registration Statement on Form S-3 filed with the SEC on October 15, 2003, File No. 333-109713).
10.93	Letter Agreement dated August 30, 2007 between Alliance Data Systems Corporation and Blackstone Management Partners V, L.L.C. (incorporated by reference to Exhibit No. 99.1 to our Current Report on Form 8-K filed with the SEC on August 31, 2007, File No. 001-15749).
*21	Subsidiaries of the Registrant.
*23.1	Consent of Deloitte & Touche LLP.
*31.1	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	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	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	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.

* Filed herewith.

\+ Management contract, compensatory plan or arrangement

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
ALLIANCE DATA SYSTEMS CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders of
Alliance Data Systems Corporation

We have audited the accompanying consolidated balance sheets of Alliance Data Systems Corporation and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. 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, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, 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.

As discussed in Note 3 to the consolidated financial statements, as of January 1, 2006, the Company changed its method of accounting for employee stock-based compensation. As discussed in Note 13 to the consolidated financial statements, as of January 1, 2007, the Company changed its method of accounting for uncertainty in income taxes.

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, 2007, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting. As described in our report dated February 28, 2008, management excluded from their assessment the internal control over financial reporting of Abacus which was acquired in February 2007; accordingly, our audit of the Company's internal control over financial reporting did not include the internal control over financial reporting at Abacus.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 28, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders of
Alliance Data Systems Corporation

We have audited the internal control over financial reporting of Alliance Data Systems Corporation and subsidiaries (the "Company") as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment of the internal control over financial reporting at Abacus, which was acquired in February 2007 and whose financial statements reflect total assets, revenues and net income constituting ten, five and six percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2007. Accordingly, our audit did not include the internal control over financial reporting at Abacus. 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, 2007, based on the criteria established in *Internal Control—Integrated Framework* 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, 2007 of the Company and our report dated February 28, 2008 expressed an unqualified opinion and includes an explanatory paragraph regarding the Company's change in its method of accounting for employee stock-based compensation in 2006 and the Company's change in its method of accounting for uncertainty in income taxes in 2007, on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP
Dallas, Texas
February 28, 2008

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2007	2006	2005
	(In thousands, except per share amounts)		
Revenues			
Transaction	$ 675,388	$ 660,305	$ 616,589
Redemption	420,966	352,801	275,840
Securitization income and finance charges, net	655,712	579,742	405,868
Database marketing fees and direct marketing services	452,136	319,704	194,775
Other revenue	86,987	86,190	59,365
Total revenue	2,291,189	1,998,742	1,552,437
Operating expenses			
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	1,631,029	1,434,620	1,124,590
General and administrative	80,898	91,815	91,532
Depreciation and other amortization	84,338	65,443	58,565
Amortization of purchased intangibles	82,294	59,597	41,142
Impairment of long-lived assets	39,961	—	—
Loss on the sale of assets	16,045	—	—
Merger costs	12,349	—	—
Total operating expenses	1,946,914	1,651,475	1,315,829
Operating income	344,275	347,267	236,608
Interest income	(10,691)	(6,595)	(4,017)
Interest expense	80,214	47,593	18,499
Income before income taxes	274,752	306,269	222,126
Provision for income taxes	110,691	116,664	83,381
Net income	$ 164,061	$ 189,605	$ 138,745
Net income per share:			
Basic	$ 2.09	$ 2.38	$ 1.69
Diluted	$ 2.03	$ 2.32	$ 1.64
Weighted average shares:			
Basic	78,403	79,735	82,208
Diluted	80,811	81,686	84,637

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2007	December 31, 2006
	(In thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 265,839	$ 180,075
Due from card associations	21,456	108,671
Trade receivables, less allowance for doubtful accounts ($9,466 and $5,325 at December 31, 2007 and 2006, respectively)	306,992	271,563
Seller's interest and credit card receivables, less allowance for doubtful accounts ($38,726 and $45,919 at December 31, 2007 and 2006, respectively)	652,434	569,389
Deferred tax asset, net	95,950	88,722
Other current assets	110,370	91,555
Total current assets	1,453,041	1,309,975
Redemption settlement assets, restricted	317,053	260,957
Property and equipment, net	248,788	208,327
Deferred tax asset, net	33,102	—
Due from securitizations	379,268	325,457
Intangible assets, net	363,895	263,934
Goodwill	1,235,347	969,971
Other non-current assets	73,100	65,394
Total assets	$ 4,103,594	$ 3,404,015
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 134,790	$ 112,582
Accrued expenses	228,111	201,904
Merchant settlement obligations	216,560	188,336
Certificates of deposit	370,400	294,800
Credit facilities and other debt, current	315,730	7,902
Other current liabilities	60,133	72,196
Total current liabilities	1,325,724	877,720
Deferred tax liability, net	—	44,234
Deferred revenue (Note 11)	828,348	651,506
Certificates of deposit	—	4,200
Long-term and other debt	644,375	737,475
Other liabilities	108,181	17,347
Total liabilities	2,906,628	2,332,482
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Common stock, $0.01 par value; authorized, 200,000 shares; issued, 87,786 shares and 86,872 shares at December 31, 2007 and 2006, respectively	878	869
Additional paid-in capital	898,631	834,680
Treasury stock, at cost, 9,024 shares and 7,218 shares at December 31, 2007 and 2006, respectively)	(409,486)	(300,950)
Retained earnings	682,903	527,686
Accumulated other comprehensive income	24,040	9,248
Total stockholders' equity	1,196,966	1,071,533
Total liabilities and stockholders' equity	$ 4,103,594	$ 3,404,015

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Unearned Compensation	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			(In thousands)			
January 1, 2005	82,765	828	(7,739)	679,776	(6,151)	199,336	4,470	870,520
Net income						138,745		138,745
Other comprehensive income, net of tax:								
Net unrealized gain on securities available-for-sale							414	414
Foreign currency translation adjustments							3,205	3,205
Other comprehensive income							3,619	
Amortization of unearned compensation			6,546					6,546
Purchase of treasury shares					(148,801)			(148,801)
Issuance of restricted stock	471	5	(13,311)	20,903				7,597
Other common stock issued, including income tax benefits	1,529	15		42,866				42,881
December 31, 2005	84,765	848	(14,504)	743,545	(154,952)	338,081	8,089	921,107
Net income						189,605		189,605
Other comprehensive income, net of tax:								
Net unrealized gain on securities available-for-sale							1,880	1,880
Foreign currency translation adjustments							(721)	(721)
Other comprehensive income							1,159	
Reversal of unearned compensation upon adoption of SFAS No. 123(R)			14,504	(14,504)				—
Stock compensation expense				43,053				43,053
Purchase of treasury shares					(145,998)			(145,998)
Other common stock issued, including income tax benefits	2,107	21		62,586				62,607
December 31, 2006	86,872	869	—	834,680	(300,950)	527,686	9,248	1,071,533
Net income						164,061		164,061
Cumulative effect on retained earnings upon the adoption of FIN No. 48						(8,844)		(8,844)
Other comprehensive income, net of tax:								
Net unrealized gain on securities available-for-sale							846	846
Foreign currency translation adjustments							13,946	13,946
Other comprehensive income							14,792	
Stock compensation expense				46,513				46,513
Purchase of treasury shares					(108,536)			(108,536)
Other common stock issued, including income tax benefits	914	9		17,438				17,447
December 31, 2007	87,786	$ 878	$ —	$898,631	$(409,486)	$682,903	$ 24,040	$1,196,966

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 164,061	$ 189,605	$ 138,745
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	166,632	125,040	99,707
Deferred income taxes	(27,729)	(27,772)	(13,475)
Provision for doubtful accounts	42,145	38,141	22,055
Non-cash stock compensation	56,243	43,053	14,143
Fair value gain on interest-only strip	(39,958)	(19,470)	(23,300)
Loss on sale of assets	16,045	—	—
Impairment of long-lived assets	39,961	—	—
Change in operating assets and liabilities, net of acquisitions:			
Change in trade accounts receivable	(24,042)	(50,947)	(37,592)
Change in merchant settlement activity	115,439	11,043	1,637
Change in other assets	(28,821)	(3,282)	(8,619)
Change in accounts payable and accrued expenses	66,646	57,084	42,757
Change in deferred revenue	49,886	43,353	43,288
Change in other liabilities	(9,566)	(8,728)	743
Data acquisition costs	(8,207)	—	—
Purchase of credit card receivables	(224,626)	(73,555)	(186,419)
Proceeds from sale of credit card receivable portfolios	218,846	154,445	—
Tax benefit of stock option exercises	—	—	13,648
Excess tax benefits from stock-based compensation	(8,163)	(17,521)	—
Other	6,729	8,291	1,763
Net cash provided by operating activities	571,521	468,780	109,081
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in redemption settlement assets	(9,477)	(396)	(10,983)
Payments for acquired businesses, net of cash acquired	(438,163)	(205,567)	(140,901)
Proceeds from the sale of assets	12,347	—	—
Investment in unconsolidated subsidiary	(8,000)	—	—
Change in due from securitizations	(11,115)	(32,698)	(1,005)
Net increase in seller's interest and credit card receivables	(117,691)	(203,764)	(106,785)
Capital expenditures	(116,652)	(100,352)	(65,900)
Other	(6,057)	(195)	(5,377)
Net cash used in investing activities	(694,808)	(542,972)	(330,951)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under debt agreements	2,309,000	3,629,869	1,272,260
Repayment of borrowings	(2,113,000)	(3,345,869)	(1,155,735)
Certificates of deposit issuances	494,100	336,300	379,100
Repayments of certificates of deposit	(422,700)	(416,400)	(94,700)
Payment of capital lease obligations	(14,481)	(7,935)	(6,409)
Proceeds from sales-lease back transactions	25,949	—	—
Excess tax benefits from stock-based compensation	8,163	17,521	—
Proceeds from issuance of common stock	20,892	48,831	29,106
Purchase of treasury shares	(108,536)	(145,998)	(145,043)
Other	(2,312)	(4,049)	—
Net cash provided by financing activities	197,075	112,270	278,579
Effect of exchange rate changes on cash and cash equivalents	11,976	(1,216)	2,095
Change in cash and cash equivalents	85,764	36,862	58,804
Cash and cash equivalents at beginning of year	180,075	143,213	84,409
Cash and cash equivalents at end of year	$ 265,839	$ 180,075	$ 143,213
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	$ 78,958	$ 40,628	$ 16,423
Income taxes paid, net of refunds	$ 107,516	$ 141,935	$ 58,237

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 wholly owned subsidiaries, the "Company") is a leading provider of data-driven and transaction-based marketing and customer loyalty solutions. The Company offers a comprehensive portfolio of integrated outsourced marketing solutions, including customer loyalty programs, database marketing services, marketing strategy consulting, analytics and creative services, permission-based email marketing and private label retail credit card programs. The Company focuses on facilitating and managing interactions between our clients and their customers through a variety of consumer marketing channels, including in-store, catalog, mail, telephone and on-line. The Company captures data created during each customer interaction, analyzes the data and leverages the insight derived from that data to enable clients to identify and acquire new customers, as well as to enhance customer loyalty.

The Company operates in three reportable segments: Marketing Services, Credit Services and Transaction Services. Marketing Services provides loyalty programs, such as the AIR MILES® Reward Program, and integrated direct marketing solutions that combine database marketing technology and analytics with a broad range of direct marketing services, including email marketing campaigns. Credit Services provides private label retail card receivables financing. Credit Services generally securitizes the credit card receivables that it underwrites from its private label retail card programs. Transaction Services encompasses card processing, billing and payment processing and customer care for specialty and petroleum retailers (processing services), customer information system hosting, customer care and billing and payment processing for regulated and de-regulated utilities (utility services) and other processing-oriented businesses.

2. PROPOSED MERGER

On May 17, 2007, the Company entered into an Agreement and Plan of Merger by and among Aladdin Solutions, Inc. (f/k/a Aladdin Holdco, Inc., "Parent"), Aladdin Merger Sub, Inc. ("Merger Sub") and the Company (the "Merger Agreement"). Under the terms of the Merger Agreement, Merger Sub will be merged with and into the Company, and as a result the Company will continue as the surviving corporation and a wholly-owned subsidiary of Parent (the "Merger"). Parent and Merger Sub were formed and are controlled by affiliates of The Blackstone Group. Under the terms of the Merger Agreement, at the effective time of the Merger, each outstanding share of common stock of the Company, other than shares owned by the Company, Parent, any subsidiary of the Company or Parent, or by any stockholders who are entitled to and who properly exercise appraisal rights under Delaware law, will be cancelled and converted into the right to receive $81.75 in cash, without interest. In addition, the Merger Agreement provides that the vesting and/or lapse of restrictions on substantially all stock options, restricted stock awards and restricted stock units will be accelerated at the effective time of the Merger and holders of such securities will receive consideration in accordance with the terms of the Merger Agreement. The Company will also accelerate the recognition of stock compensation expense resulting from the vesting of substantially all outstanding unvested stock options, restricted stock and restricted stock units in connection with the Merger. Consummation of the Merger is subject to closing conditions, including conditions relating to regulatory approvals. No assurances can be given that the conditions precedent to consummating the Merger will be satisfied or that the Merger will be consummated.

The Company filed its definitive proxy statement and proxy supplement with the SEC on July 5, 2007 and July 30, 2007, respectively, soliciting stockholder approval of the Merger Agreement, which was approved at a special meeting of the Company's stockholders on August 8, 2007. The Company filed its Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, notification and report forms with the Federal Trade Commission and the Antitrust Division of the Department of Justice on June 1, 2007 and early termination of the applicable waiting period was granted on June 11, 2007. The Company filed a request for an advance ruling certificate ("ARC") regarding the Merger under the Competition Act (Canada) with the Canadian Commissioner of Competition on June 1, 2007 and received an ARC on June 7, 2007. The Company filed a notification under

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

the German Act against Restraints of Competition, as amended with the German Federal Cartel Office on June 14, 2007. The waiting period under the German Competition Act expired on July 14, 2007. Parent filed the required notices with the Office of the Comptroller of the Currency on June 28, 2007.

Parent also filed the required notices with the Federal Deposit Insurance Corporation and the Utah Department of Financial Institutions, in each case on July 2, 2007.

The Merger Agreement may be terminated under certain circumstances, including if the Company has received a superior proposal and the Company's Board of Directors or the special committee of the Company's Board of Directors ("the Special Committee") has determined in good faith that the failure to terminate the Merger Agreement would reasonably be expected to be inconsistent with the fiduciary duties of the members of the Board of Directors or Special Committee and the Company otherwise complies with certain terms of the Merger Agreement. Upon the termination of the Merger Agreement, under specified circumstances, the Company will be required to reimburse Parent and Merger Sub for their transaction expenses up to $20.0 million and under specified circumstances, the Company will be required to pay Parent, or its designee, a termination fee of $170.0 million less any expenses previously reimbursed. Additionally, under specified circumstances, Parent will be required to pay the Company a termination fee of $170.0 million.

On October 15, 2007, Merger Sub commenced a tender offer (the "Tender Offer") in respect of the Company's $250.0 million aggregate principal amount 6.00% Senior Notes, Series A, due May 16, 2009 and the Company's $250.0 million aggregate principal amount 6.14% Senior Notes, Series B, due May 16, 2011 (collectively, the "Notes"). The Tender Offer was conducted concurrently with a related consent solicitation (the "Consent Solicitation") to amend the terms of the Notes and the related Note Purchase Agreement dated as of May 1, 2006 (the "Note Purchase Agreement") to, among other things, eliminate substantially all of the restrictive covenants and certain events of default and modify or eliminate certain other provisions. On the same date, the Company commenced a cash offer (the "Prepayment Offer") in respect of the Notes pursuant to the terms of the Note Purchase Agreement.

On October 22, 2007, the Company entered into an amendment (the "Amendment") in respect of the Notes with all of the Holders (as defined in the Note Purchase Agreement) providing for a mandatory prepayment of all of the Notes on the date that the Merger is consummated, provided that the Merger is consummated no later than January 1, 2008. The Notes shall be repaid at 100% of the principal amount plus accrued and unpaid interest to the date of prepayment and the Make-Whole Amount (as defined in the Note Purchase Agreement) as determined for the prepayment date in accordance with the terms of the Amendment. The obligation of the Company to prepay the Notes pursuant to the terms of the Amendment is subject to and conditioned upon the occurrence of the Merger on or prior to January 1, 2008 and therefore is void and of no further force and effect since the Merger did not close on or prior to that date. In connection with the Amendment, on October 23, 2007, Merger Sub withdrew the Tender Offer and Consent Solicitation and the Company withdrew the Prepayment Offer. The early retirement of debt will result in the recognition of unamortized debt issuance costs as well as any premium charges associated with early retirement.

Parent has obtained equity and debt financing commitments for the transactions contemplated by the Merger Agreement, the proceeds of which, together with the available cash of the Company, will be sufficient for Parent to pay the aggregate Merger consideration and all related fees and expenses of the transactions contemplated by the Merger Agreement. Consummation of the Merger is not subject to a financing condition, but is subject to customary closing conditions, including the approval of the Company's stockholders, which was received on August 8, 2007, and regulatory clearance. For more information regarding the Merger, see the Company's definitive proxy statement and proxy supplement filed with the SEC on July 5, 2007 and July 30, 2007, respectively.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On January 25, 2008, Parent informed us in a written notice that it does not anticipate the condition to closing the Merger relating to obtaining approvals from the Office of the Comptroller of the Currency will be satisfied.

On January 30, 2008, the Company filed a lawsuit against Parent and Merger Sub (together, the "Merger Entities"). The lawsuit, filed in the Delaware Court of Chancery, sought specific performance to compel the Merger Entities to comply with its obligations under the Merger Agreement, including its covenants to use reasonable best efforts to obtain required regulatory approvals and to consummate the Merger.

On February 8, 2008, the Company filed a motion to dismiss this lawsuit without prejudice in response to the Merger Entities' confirmation of its commitment to work to consummate the Merger. The Company is working with the Merger Entities to effect an acceptable solution to the unresolved regulatory issues. There can be no assurance, however, that an acceptable solution will be obtained or that the Merger will be completed.

For the year ended December 31, 2007, the Company has recorded merger costs of approximately $12.3 million consisting of investment banking, legal, accounting and other costs associated with the Merger.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of ADSC and its wholly owned subsidiaries. All intercompany transactions have been eliminated.

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

Due from Card Associations and Merchant Settlement Obligations—Due from card associations and merchant settlement obligations result from the Company's merchant services and associated settlement activities. Due from card associations is generated from credit and debit card transactions, such as MasterCard, Visa, American Express, and Discover Card at merchant locations. The Company records corresponding settlement obligations for amounts payable to merchants. These accounts are settled with the respective card association or merchant on different days.

Seller's Interest and Credit Card Receivables—The majority of our credit card receivables are securitized immediately or shortly after origination. As part of its securitization agreements, the Company is required to retain an interest in the credit card receivables, which is referred to as seller's interest. Seller's interest is carried at fair value and credit card receivables are carried at lower of cost or market less an allowance for doubtful accounts. In its capacity as a servicer of the credit card receivables, the Company receives a servicing fee from the World Financial Network Credit Card Master Trust, World Financial Network Credit Card Master Note Trust and World Financial Network Credit Card Master Trust III (collectively the "WFN Trusts"). The Company believes that servicing fees received represent adequate compensation based on the amount currently demanded by the marketplace. Additionally, these fees are the same as would fairly compensate a substitute servicer should one be required and, thus, the Company records neither a servicing asset nor servicing liability.

Allowance for Doubtful Accounts—The Company specifically analyzes accounts receivable and historical bad debts, customer credit-worthiness, current economic trends, and changes in its customer payment terms and collection trends when evaluating the adequacy of its allowance for doubtful accounts. Any change in the assumptions used in analyzing a specific account receivable may result in an additional allowance for doubtful accounts being recognized in the period in which the change occurs.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Redemption Settlement Assets, Restricted—These securities relate to the redemption fund for the AIR MILES Reward Program and 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 our sponsor contracts. These securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a component of accumulated other comprehensive income. Debt securities that the Company does not have the positive intent and ability to hold to maturity are classified as securities available-for-sale.

Property and Equipment—Furniture, fixtures, computer equipment and software, and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization, including capital leases, are computed on a straight-line basis, using estimated lives ranging from three to 15 years. Leasehold improvements are amortized over the remaining lives of the respective leases or the remaining useful lives of the improvements, whichever is shorter. Software development (costs to create new platforms for certain of the Company's information systems) and conversion costs (systems, programming and other related costs to allow conversion of new client accounts to the Company's processing systems) are capitalized in accordance with Statement of Position ("SOP") 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" and are amortized on a straight-line basis over the length of the associated contract or benefit period, which generally ranges from three to five years.

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 is from one to five years.

Revenue Recognition—The Company's policy follows the guidance from SEC Staff Accounting Bulletin ("SAB") No. 104 "Revenue Recognition". SAB No. 104 provides guidance on the recognition, presentation, and disclosure of revenue in financial statements. The Company recognizes revenues when persuasive evidence of an arrangement exists, the services have been provided to the client, the sales price is fixed or determinable, and collectibility is reasonably assured.

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. Included are reimbursements received for "out-of-pocket" expenses.

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

AIR MILES Reward Program—The Company allocates the proceeds received from sponsors for the issuance of AIR MILES reward miles based on relative fair values between the redemption element of the award ultimately provided to the collector (the "Redemption element") and the service element (the "Service element"). The Service element consists of direct marketing and support services provided to sponsors.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The fair value of the Service element is based on the estimated fair value of providing the services on a third-party basis. The revenue related to the Service element of the AIR MILES reward miles is initially deferred and amortized over the period of time beginning with the issuance of the AIR MILES reward miles and ending upon their expected redemption (the estimated life of an AIR MILES reward mile, or 42 months). Revenue associated with the Service element is recorded as part of transaction revenue.

The fair value of the Redemption element of the AIR MILES reward miles issued is determined based on separate pricing offered by the Company as well as other objective evidence. The revenue related to the Redemption element is deferred until the collector redeems the AIR MILES reward miles or over the estimated life of an AIR MILES reward mile in the case of AIR MILES reward miles that the Company estimates will go unused by the collector base ("breakage"). The Company currently estimates breakage to be one-third of AIR MILES reward miles issued. There have been no changes to management's estimate of the life of an AIR MILES reward mile or breakage in the periods presented.

Securitization income—Securitization income represents gains and losses on securitization of credit card receivables and interest income on seller's interest and credit card receivables held on the balance sheet less a provision for doubtful accounts of $35.8 million, $33.8 million, and $20.9 million for the years ended December 31, 2007, 2006, and 2005, respectively. During 2006, the Company recognized $2.7 million in gains, related to the securitization of new credit card receivables accounted for as sales. No amounts were recognized during 2007 or 2005. The Company records gains or losses on the securitization of credit card receivables on the date of sale based on cash received, the estimated fair value of assets sold and retained, and liabilities incurred in the sale. The anticipated excess cash flow essentially represents an interest-only ("I/O") strip, consisting of the excess of finance charges and certain other fees over the sum of the return paid to certificate holders and credit losses over the estimated outstanding period of the receivables. The amount initially allocated to the I/O strip at the date of a securitization reflects the allocated original basis of the relative fair values of those interests. The amount recorded for the I/O strip is reduced for distributions on the I/O strip, which the Company receives from the related trust, fair value gains or losses on interest-only strip, which are recorded through earnings, and is adjusted for mark to market adjustments to the fair value of the I/O strip, which are reflected in other comprehensive income. Because there is not a highly liquid market for these assets, management estimates the fair value of the I/O strip primarily based upon discount, payment and default rates, which is the method we assume that another market participant would use to purchase the I/O strip.

In recording and accounting for the I/O strip, management makes assumptions about rates of payments and defaults, which reflect economic and other relevant conditions that affect fair value. Due to subsequent changes in economic and other relevant conditions, the actual rates of payments and defaults would generally differ from our initial estimates, and these differences could sometimes be material. If actual payment and default rates are higher than previously assumed, the value of the I/O strip could be permanently impaired and the decline in the fair value would be recorded in earnings.

The Company recognizes the implicit forward contract to sell new receivables during a revolving period at its fair value at the time of sale. The implicit forward contract is entered into at the market rate and thus, its initial measure is zero at inception. In addition, the Company does not mark the forward contract to fair value in accounting periods following the securitization as management has concluded that the fair value of the implicit forward contract in subsequent periods is not material.

Finance charges, net—Finance charges, net of credit losses, represents revenue earned on customer accounts serviced by the Company, and is recognized in the period in which it is earned.

Securitization Sales—The Company's securitization of its credit card receivables involves the sale to a trust and is accomplished primarily through the public and private issuance of asset-backed securities by the special

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

purpose entities. The Company removes credit card receivables from its Consolidated Balance Sheets for those asset securitizations that qualify as sales in accordance with Statement of Financial Accounting Standards ("SFAS") No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities-a replacement of FASB Statement No. 125". The Company has determined that the WFN Trusts are qualifying special purpose entities as defined by SFAS No. 140, and that all current securitizations qualify as sales.

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

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 is 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:

	Year Ended December 31,		
	2007	2006	2005
	(In thousands, except per share amounts)		
Numerator			
Net income available to common stockholders	$ 164,061	$ 189,605	$ 138,745
Denominator			
Weighted average shares, basic	78,403	79,735	82,208
Weighted average effect of dilutive securities:			
Net effect of dilutive stock options and unvested restricted stock	2,408	1,951	2,429
Denominator for diluted calculation	80,811	81,686	84,637
Basic			
Net income per share	$ 2.09	$ 2.38	$ 1.69
Diluted			
Net income per share	$ 2.03	$ 2.32	$ 1.64

Currency Translation—The assets and liabilities of the Company's subsidiaries outside the U.S., primarily Canada, are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates. 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.

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

Advertising Costs—The Company participates in various advertising and marketing programs. The cost of advertising and marketing programs is expensed in the period incurred. The Company has recognized advertising expenses of $83.6 million, $76.7 million and $39.7 million for the years ended 2007, 2006 and 2005, respectively.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stock Compensation Expense—Effective January 1, 2006, the Company adopted the provisions of, and accounted for stock-based compensation in accordance with, Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)") which supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). 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. The Company elected the modified prospective method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS No. 123(R) apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. Estimated compensation for grants that were outstanding as of the effective date will be recognized over the remaining service period using the compensation expense estimated for the Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") pro forma disclosures, adjusted for forfeitures.

The following table sets forth the pro forma amounts of net income and net income per share, for the year ended December 31, 2005 that would have resulted if the Company had accounted for the stock-based awards under the fair value recognition provisions of SFAS No. 123:

	Year Ended December 31, 2005 (In thousands, except per share amounts)
Net income, as reported	$ 138,745
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	8,839
Deduct: Total stock-based employee compensation expense determined under fair value based method for all stock option awards, net of related tax effects	(22,849)
	$ 124,735
Net income per share:	
Basic-as reported	$ 1.69
Basic-pro forma	$ 1.52
Diluted-as reported	$ 1.64
Diluted-pro forma	$ 1.47

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

Recently Issued Accounting Standards—In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 establishes a new definition of fair value as well as a fair value hierarchy that prioritizes the information used to develop the assumptions, and requires new disclosures of assets and liabilities measured at fair value based on their level in the hierarchy. The standard is effective for fiscal years beginning after November 15, 2007. In December 2007, the FASB proposed a one-year deferral for non-financial assets and liabilities to comply with SFAS No. 157. The Company is currently in the process of evaluating the effect that the adoption of SFAS No. 157 will have on its consolidated financial position, results of operations and cash flows.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "Establishing the Fair Value Option for Financial Assets and Liabilities" ("SFAS No. 159"), to permit all entities to choose to elect to measure eligible financial instruments at fair value. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157. An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. The Company is currently in the process of evaluating the effect that the adoption of SFAS No. 159 will have on its consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007) ("SFAS No. 141R"), "Business Combinations" and Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51" ("SFAS No. 160"). SFAS No. 141R will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS No. 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. Both statements are required to be adopted for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is currently evaluating the impact that SFAS No. 141R and SFAS No. 160 will have on its consolidated financial statements.

4. ACQUISITIONS AND DISPOSITIONS

During the past three years the Company completed the following acquisitions:

Business	Month Acquired	Consideration	Segment
2007:			
Abacus.	February 2007	Cash for Assets and Common Stock	Marketing Services
2006:			
iCOM Information & Communications, Inc.	February 2006	Cash for Assets and Common Stock	Marketing Services
DoubleClick Email Solutions	April 2006	Cash for Assets and Common Stock	Marketing Services
Big Designs, Inc.	August 2006	Cash for Assets	Marketing Services
CPC Associates, Inc.	October 2006	Cash for Common Stock	Marketing Services
2005:			
Atrana Solutions, Inc.	May 2005	Cash for Common Stock	Transaction Services
Bigfoot Interactive, Inc.	September 2005	Cash for Equity	Marketing Services

2007 Acquisitions:

On February 1, 2007, the Company completed the acquisition of Abacus, a division of DoubleClick Inc. Abacus is a leading provider of data, data management and analytical services for the retail and catalog industry, as well as other sectors. The Abacus acquisition complements, expands and strengthens the Company's core database marketing offerings and provides additional scale to its data services, strategic database services and analytics offerings.

The acquisition of Abacus included specified assets of DoubleClick's data division ("Purchased Assets") and all of the outstanding equity interests of four DoubleClick entities. The consideration consisted of approximately $435.0 million plus other incremental costs as defined in the agreement for a total of approximately $439.3 million.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The results of operations for Abacus have been included since the date of acquisition and are reflected in our Marketing Services segment. The goodwill resulting from the acquisition of the Purchased Assets will be deductible for tax purposes.

The following table summarizes the fair values of the assets acquired and liabilities assumed in the Abacus acquisition as of the date of purchase.

	As of February 1, 2007 (In thousands)
Current assets	$ 22,863
Property, plant and equipment	13,844
Capitalized software	19,200
Identifiable intangible assets	169,760
Goodwill	222,935
Total assets acquired	448,602
Current liabilities	9,325
Total liabilities assumed	9,325
Net assets acquired	$ 439,277

The following unaudited pro forma results of operations of the Company are presented as if the Abacus acquisition was completed as of the beginning of the periods being presented. The following unaudited pro forma financial information is not necessarily indicative of the actual results of operations that the Company would have experienced assuming the acquisition had been completed as of January 1, 2007 or 2006, respectively.

	Year Ended December 31,	
	2007	2006
	(In thousands, except per share amounts)	
Revenues	$ 2,299,837	$ 2,113,590
Net income	$ 162,389	$ 181,076
Basic net income per share	$ 2.07	$ 2.27
Diluted net income per share	$ 2.01	$ 2.22

In September 2007, the Company entered into a stock purchase agreement with Excentus Corporation, and purchased preferred shares of stock for an initial purchase price of $5.0 million. In December 2007, the Company exercised its option and purchased additional shares for $3.0 million. The Company has accounted for this investment on a cost basis and the investment is included in other non-current assets on its consolidated balance sheet.

2007 Dispositions:

On November 7, 2007, the Company sold ADS MB Corporation, which operated its mail services business which was included in its Transaction services segment. The Company received total proceeds of $12.3 million and recognized a pre-tax loss of approximately $16.0 million.

2006 Acquisitions:

In February 2006, the Company acquired Toronto-based iCOM Information & Communications, Inc. (“iCOM”), a leading provider of targeted list, marketing data and communications solutions for the pharmaceutical, tobacco and fast moving consumer goods industries in North America. Total consideration paid

was approximately $36.1 million as of the closing date, including acquisition costs. As a result of this acquisition, the Company acquired $10.8 million of customer contracts, $2.3 million of capitalized software, $13.2 million of net assets and $9.8 million of goodwill. The results of operations for iCOM have been included since the date of acquisition and are reflected in the Company's Marketing Services segment.

In April 2006, the Company acquired DoubleClick Email Solutions, a permission-based email marketing service provider, with operations across North America, Europe and Asia/Pacific. Total consideration paid was approximately $91.1 million, including acquisition costs. As a result of this acquisition, the Company acquired approximately $26.8 million of customer contracts, $2.3 million of capitalized software, $0.4 million associated with a non-compete agreement, $6.0 million of net assets and $55.6 million of goodwill. An independent valuation was conducted to assign a fair market value to the intangible assets identified as part of the acquisition. The results of operations for DoubleClick Email Solutions have been included since the date of acquisition and are reflected in our Marketing Services segment.

In August 2006, the Company acquired Big Designs, a design agency that specializes in creative development for both print and on-line media. Total consideration paid was approximately $5.0 million. As a result of this acquisition, the Company acquired approximately $0.7 million of customer contracts, $0.5 million associated with a non-compete agreement, $0.1 million of net assets and $3.7 million of goodwill. The results of operations for Big Designs have been included since the date of acquisition and are reflected in our Marketing Services segment.

In October 2006, the Company acquired CPC Associates, Inc. ("CPC"), a provider of data products and services used to increase effectiveness of direct-response marketing programs for a variety of business sectors. Total consideration paid was approximately $72.5 million, including acquisition costs. As a result of this acquisition, the Company acquired approximately $16.8 million of customer contracts, $0.7 million of purchased software, $0.6 million in tradenames, $1.6 million of net assets and $52.9 million of goodwill. An independent valuation was conducted to assign a fair market value to the intangible assets identified as part of the acquisition. The results of operations for CPC have been included since the date of acquisition and are reflected in the Company's Marketing Services segment.

Pro forma information has not been included for these acquisitions, as the impact is not material.

2005 Acquisitions:

In May 2005, the Company acquired the stock of Atrana Solutions Inc., a provider of point-of-sale database marketing services. Total consideration paid was approximately $13.1 million. The results of operations for Atrana have been included since the date of acquisition and are reflected in the Company's Transaction Services segment.

In September, 2005, the Company acquired Bigfoot Interactive Inc., ("Epsilon Interactive"), a leading full-service provider of strategic ROI-focused email communications and marketing automation solutions. Total consideration paid was approximately $133.5 million. The results of operations for Epsilon Interactive have been included since the date of acquisition and are reflected in the Compnay's Marketing Services segment.

Pro forma information has not been included for these acquisitions as the impact is not material.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Purchase Price Allocation:

The following table summarizes the purchase price for the acquisitions, and the allocation thereof:

	2007	2006	2005
		(In thousands)	
Identifiable intangible assets	$169,760	$ 56,610	$ 31,284
Capitalized software	19,200	5,275	4,942
Goodwill	222,935	122,003	110,589
Other net assets (liabilities)	27,382	20,880	(251)
Purchase price	$439,277	$204,768	$146,564

5. REDEMPTION SETTLEMENT ASSETS

Redemption settlement assets consist of cash and cash equivalents and securities available-for-sale and are designated for settling redemptions by collectors of the AIR MILES Reward Program in Canada under certain contractual relationships with sponsors of the AIR MILES Reward Program. These assets are primarily denominated in Canadian dollars. Realized gains and losses from the sale of investment securities were not material. The principal components of redemption settlement assets, which are carried at fair value, are as follows:

	December 31, 2007				December 31, 2006			
		Unrealized				Unrealized		
	Cost	Gains	Losses	Fair Value	Cost	Gains	Losses	Fair Value
	(In thousands)							
Cash and cash equivalents	$ 54,604	$ —	$ —	$ 54,604	$ 21,583	$ —	$ —	$ 21,583
Government bonds	63,674	93	(169)	63,598	53,017	109	(159)	52,967
Corporate bonds	200,120	402	(1,671)	198,851	186,262	767	(622)	186,407
Total	$ 318,398	$ 495	$ (1,840)	$ 317,053	$ 260,862	$ 876	$ (781)	$ 260,957

In accordance with FASB Staff Position FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, the following table shows the gross unrealized losses and fair value for those investments that were in an unrealized loss position as of December 31, 2007 and 2006, aggregated by investment category and the length of time that individual securities have been in a continuous loss position:

	December 31, 2007					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Government bonds	$ 19,884	$ (92)	$ 23,717	$ (77)	$ 43,601	$ (169)
Corporate bonds	62,360	(881)	100,398	(790)	162,758	(1,671)
Total	$ 82,244	$ (973)	$ 124,115	$ (867)	$ 206,359	$ (1,840)

	December 31, 2006					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Government bonds	$ 3,465	$ (13)	$ 23,582	$ (146)	$ 27,047	$ (159)
Corporate bonds	39,942	(151)	78,298	(471)	118,240	(622)
Total	$ 43,407	$ (164)	$ 101,880	$ (617)	$ 145,287	$ (781)

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 Issuer, and the Company's ability and intent to hold the investment for a period of time, which may be sufficient for anticipated recovery in market value. The unrealized losses on the Company's investments during 2007 in government and corporate bond securities were caused primarily by changes in interest rates. The Company typically invests in highly-rated securities with low probabilities of default. The Company also has the ability to hold the investments until maturity. As of December 31, 2007, the Company does not consider the investments to be other-than-temporarily impaired.

The net carrying value and estimated fair value of the securities at December 31, 2007 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Due in one year or less	$ 138,515	$ 138,208
Due after one year through five years	179,883	178,845
Due after five years through ten years	—	—
Due after ten years	—	—
Total	$ 318,398	$ 317,053

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2007	2006
	(In thousands)	
Software development and conversion costs	$ 162,355	$ 154,333
Computer equipment and purchased software	143,635	135,005
Furniture and fixtures	75,503	78,863
Leasehold improvements	79,259	63,528
Capital leases	58,598	33,142
Construction in progress	11,228	10,783
Total	530,578	475,654
Accumulated depreciation	(281,790)	(267,327)
Property and equipment, net	$ 248,788	$ 208,327

Depreciation expense totaled $61.7 million, $50.2 million and $41.2 million for the years ended December 31, 2007, 2006, and 2005, respectively, and includes amortization of capital leases. Amortization associated with capitalized software development and conversion costs totaled $29.4 million, $19.9 million and $20.3 million for the years ended December 31, 2007, 2006, and 2005, respectively.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

7. IMPAIRMENT OF LONG-LIVED ASSETS

During the third quarter of 2007, the Company reviewed one of the customer relationships in its utility services division and determined that certain long-lived assets, including internally developed software, certain customer relationship assets, and other assets, had been impaired. The Company recognized approximately $40.0 million as a non-cash asset write-down, with the impairment charge included in our Transaction Services segment.

8. SECURITIZATION OF CREDIT CARD RECEIVABLES

The Company regularly securitizes its credit card receivables to the WFN Trusts. 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's outstanding securitizations are scheduled to begin their amortization or accumulation periods at various times between 2008 and 2012 and thereafter.

The following table shows the maturities of borrowing commitments as of December 31, 2007 for the WFN Trusts by year:

	2008	2009	2010	2011	2012 & Thereafter	Total
	(In thousands)					
Public notes	$ 600,000	$ 500,000	$ —	$ 450,000	$ 500,000	$ 2,050,000
Private conduits[1]	2,085,714	—	—	—	—	2,085,714
Total	$ 2,685,714	$ 500,000	$ —	$ 450,000	$ 500,000	$ 4,135,714

(1) Represents borrowing capacity, not outstanding borrowings. In the fourth quarter of 2007, we renewed and amended $1,085.7 million of our $2,085.7 million private conduits under similar terms.

Seller's interest and credit card receivables, less allowance for doubtful accounts consists of:

	December 31,	
	2007	2006
	(In thousands)	
Seller's interest	$217,054	$253,170
Credit card receivables	451,862	338,864
Other receivables	22,244	23,274
Allowance	(38,726)	(45,919)
	$652,434	$569,389

Due from securitizations consists of:

	December 31,	
	2007	2006
	(In thousands)	
Spread deposits	$125,624	$128,787
I/O strips	154,735	110,060
Residual interest in securitization trust	69,189	82,110
Excess funding deposits	29,720	4,500
	$379,268	$325,457

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company is required to maintain minimum interests ranging from 4% to 10% of the securitized credit card receivables. This requirement is met through seller's interest and is supplemented through the excess funding deposits. Excess funding deposits represent cash amounts deposited with the trustee of the securitizations. Residual interest in securitization represents a subordinated interest in the cash flows of the WFN Trusts.

The spread deposits and I/O strips are initially recorded at their allocated carrying amount based on relative fair value. Fair value is determined by computing the present value of the estimated cash flows, using the dates that such cash flows are expected to be released to the Company, at a discount rate considered to be commensurate with the risks associated with the cash flows. The amounts and timing of the cash flows are estimated after considering various economic factors including payment rates, delinquency, default and loss assumptions. I/O strips, seller's interest and other interests retained are periodically evaluated for impairment based on the fair value of those assets.

Fair values of I/O strips and other interests retained are based on a review of actual cash flows and on the factors that affect the amounts and timing of the cash flows from each of the underlying credit card receivable pools. Based on this analysis, assumptions are validated or revised as deemed necessary, the amounts and the timing of anticipated cash flows are estimated and fair value is determined. The Company has one collateral type, private label retail card receivables.

At December 31, 2007, key economic assumptions and the sensitivity of the current fair value of residual cash flows to an immediate 10% and 20% adverse changes in the assumptions are as follows:

	Assumptions	Impact on Fair Value of 10% Change (In thousands)	Impact on Fair Value of 20% Change
Fair value of I/O strip	$ 154,735		
Weighted average life	8.5 months		
Discount rate	10.5%	$ (477)	$ (949)
Expected yield, net of dilution	18.8%	(32,235)	(64,467)
Interest expense	4.8%	(2,197)	(4,394)
Net charge-offs rate	6.7%	(8,471)	(16,669)

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in an assumption to the change in fair value may not be linear. Also, in this table the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in practice, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Spread deposits, carried at estimated fair value, represent deposits that 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. The fair value of spread deposits is based on the weighted average life of the underlying securities and the discount rate. The discount rate is based on a risk adjusted rate paid on the series. The amount required to be deposited is approximately 3.8% of the investor's interest in the WFN Trusts. Spread deposits are generally released proportionately as investors are repaid, although some spread deposits are released only when investors have been paid in full. None of these spread deposits were required to be used to cover losses on securitized credit card receivables in the three-year period ended December 31, 2007.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The table below summarizes certain cash flows received from and paid to securitization trusts:

	Year Ended December 31,		
	2007	2006	2005
		(In millions)	
Proceeds from collections reinvested in previous credit card securitizations	$6,851.5	$7,341.4	$7,192.8
Proceeds from new securitizations	600.0	500.0	—
Servicing fees received	68.5	64.1	59.4
Other cash flows received on retained interests	516.0	505.8	349.5

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

	December 31,	
	2007	2006
	(In millions)	
Total credit card receivables managed	$4,157.3	$4,171.3
Less credit card receivables securitized	3,705.4	3,832.4
Credit card receivables	$ 451.9	$ 338.9
Principal amount of managed credit card receivables 90 days or more past due	$ 101.9	$ 88.1

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Net managed charge-offs	$ 227,393	$ 180,449	$ 207,397

9. INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of the following:

	December 31, 2007			
	Gross Assets	Accumulated Amortization	Net	Amortization Life and Method
		(In thousands)		
Finite Lived Assets				
Customer contracts and lists	$260,031	$ (124,440)	$135,591	3-20 years—straight line
Premium on purchased credit card portfolios	70,664	(29,203)	41,461	5-10 years—straight line, accelerated
Collector database	71,358	(56,093)	15,265	30 years—15% declining balance
Customer database	161,713	(20,096)	141,617	4 -10 years—straight line
Noncompete agreements	2,160	(1,308)	852	2-5 years—straight line
Favorable lease	1,000	(614)	386	4 years—straight line
Tradenames	11,262	(1,154)	10,108	4 -10 years—straight line
Purchased data lists	8,656	(2,391)	6,265	1-5 years—accelerated basis, straight line
	$586,844	$ (235,299)	$351,545	
Indefinite Lived Assets				
Tradenames	12,350	—	12,350	Indefinite life
Total intangible assets	$599,194	$ (235,299)	$363,895	

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	December 31, 2006			
	Gross Assets	Accumulated Amortization	Net	Amortization Life and Method
		(In thousands)		
Finite Lived Assets				
Customer contracts and lists	$ 292,272	$ (111,486)	$ 180,786	2-20 years—straight line
Premium on purchased credit card portfolios	72,108	(21,861)	50,247	5-10 years—straight line, accelerated
Collector database	60,067	(44,916)	15,151	30 years—15% declining balance
Customer databases	2,900	(181)	2,719	4 years—straight line
Noncompete agreements	1,800	(458)	1,342	2-5 years—straight line
Favorable lease	1,000	(341)	659	4 years—straight line
Tradenames	550	(34)	516	4 years—straight line
Purchased data lists	449	(285)	164	1 year—accelerated basis
	$431,146	$(179,562)	$251,584	
Indefinite Lived Assets				
Tradenames	12,350	—	12,350	Indefinite life
Total intangible assets	$ 443,496	$ (179,562)	$ 263,934	

As a result of the Abacus acquisition in 2007, the Company acquired $158.7 million of customer relationships and related databases with a weighted average life of approximately nine years, tradenames of $10.7 million with a weighted average life of 10 years and non-compete agreements of $0.4 million with a weighted average life of one and a half years.

Amortization expense related to the intangible assets was approximately $75.5 million, $54.9 million and $38.2 million for the years ended December 31, 2007, 2006, and 2005, respectively.

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

	For Years Ending December 31, (In thousands)
2008	$ 66,289
2009	57,618
2010	55,282
2011	42,973
2012	36,877
2013 & thereafter	92,506

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2007 and 2006 respectively, are as follows:

	Marketing Services	Credit Services	Transaction Services	Total
		(In thousands)		
December 31, 2005	$523,051	$ —	$335,419	$ 858,470
Goodwill acquired during year	122,003	—	—	122,003
Effects of foreign currency translation	(369)	—	(21)	(390)
Other, primarily final purchase price adjustments	(9,660)	—	(452)	(10,112)
December 31, 2006	635,025	—	334,946	969,971
Goodwill acquired during year	222,935	—	—	222,935
Effects of foreign currency translation	38,454	—	1,963	40,417
Goodwill written off in connection with the sale of a portion of a reporting unit	—	—	(1,065)	(1,065)
Other, primarily final purchase price adjustments	3,089	—	—	3,089
December 31, 2007	$899,503	$ —	$335,844	$1,235,347

The Company completed annual impairment tests for goodwill on July 31, 2007, 2006, and 2005 and determined at each date that no impairment exists. No further testing of goodwill impairments will be performed until July 31, 2008, unless circumstances exist that indicates that an impairment may have occurred.

10. ACCRUED EXPENSES

Accrued expenses consist of the following:

	December 31,	
	2007	2006
	(In thousands)	
Accrued payroll and benefits	$106,185	$ 93,781
Accrued taxes	26,917	42,384
Accrued other liabilities	95,009	65,739
Accrued liabilities	$228,111	$201,904

11. DEFERRED REVENUE

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

	Deferred Revenue		
	Service	Redemption	Total
		(In thousands)	
December 31, 2005	$ 184,899	$ 425,634	$ 610,533
Cash proceeds	123,204	242,359	365,563
Revenue recognized	(103,485)	(217,354)	(320,839)
Other	—	(1,361)	(1,361)
Effects of foreign currency translation	(901)	(1,489)	(2,390)
December 31, 2006	203,717	447,789	651,506
Cash proceeds	150,731	278,751	429,482
Revenue recognized	(122,863)	(256,733)	(379,596)
Other	—	168	168
Effects of foreign currency translation	40,732	86,056	126,788
December 31, 2007	$ 272,317	$ 556,031	$ 828,348

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. DEBT

Debt consists of the following:

	December 31,	
	2007	2006
	(In thousands)	
Certificates of deposit	$ 370,400	$ 299,000
Senior notes	500,000	500,000
Bridge loan	300,000	—
Credit facility	121,000	225,000
Capital lease obligations	39,105	20,377
	1,330,505	1,044,377
Less: current portion	(686,130)	(302,702)
Long-term portion	$ 644,375	$ 741,675

Certificates of Deposit

Terms of the certificates of deposit range from three months to 24 months with annual interest rates ranging from 5.0% to 5.7% at December 31, 2007 and 4.3% to 6.0% at December 31, 2006. Interest is paid monthly and at maturity.

Credit Facility

As of December 31, 2007, the Company maintained a consolidated credit agreement that provides for a $540.0 million revolving credit facility with a U.S. $50.0 million sublimit for Canadian dollar borrowings and a $50.0 million sublimit for swing line loans (the “consolidated credit facility”). At December 31, 2007, borrowings under the consolidated credit facility were $121.0 million and had a weighted average interest rate of 7.1%.

Additionally, the consolidated credit facility includes an accordion feature of up to $210.0 million in the aggregate allowing for future incremental borrowings, subject to certain conditions. The consolidated credit facility is unsecured. Each of ADS Alliance Data Systems, Inc., Alliance Data Foreign Holdings, Inc., Epsilon Marketing Services, LLC and Epsilon Data Management, LLC are guarantors under the consolidated credit facility. On March 30, 2007, the Company amended the consolidated credit facility to extend the lending commitments that were scheduled to terminate on September 29, 2011 to March 30, 2012. In addition, the amendment adjusts the Senior Leverage Ratio applicable to the various levels set forth in the consolidated credit facility and the margin applicable to Eurodollar loans to those reflected below.

Advances under the consolidated credit facility are in the form of either base rate loans or eurodollar loans and may be denominated in U.S. dollars or Canadian dollars. The interest rate for base rate loans denominated in U.S. dollars fluctuates and is equal to the higher of (1) the Bank of Montreal’s prime rate and (2) the Federal funds rate plus 0.5%, in either case with no additional margin. The interest rate for base rate loans denominated in Canadian dollars fluctuates and is equal to the higher of (1) the Bank of Montreal’s prime rate for Canadian dollar loans and (2) the CDOR rate plus 1%, in either case with no additional margin. The interest rate for eurodollar loans denominated in U.S. or Canadian dollars fluctuates based on the rate at which deposits of U.S. dollars or Canadian dollars, respectively, in the London interbank market are quoted plus a margin of 0.4% to 0.8% based upon the Company’s Senior Leverage Ratio as defined in the consolidated credit facility. Among other fees, the Company pays a facility fee of 0.1% to 0.2% per annum (due quarterly) on the aggregate commitments under the consolidated credit facility, whether used or unused, based upon the Company’s Senior

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Leverage Ratio as defined in the consolidated credit facility. The Company will also pay fees with respect to any letters of credit issued under the consolidated credit facility.

The consolidated credit facility includes usual and customary negative covenants for credit agreements 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, transfer or dispose of assets; create or incur indebtedness; create liens; pay dividends and repurchase stock; and make investments. The negative covenants are subject to certain exceptions, as specified in the consolidated credit facility. The consolidated credit facility also requires the Company to satisfy certain financial covenants, including maximum ratios of Total Capitalization and Senior Leverage as determined in accordance with the consolidated credit facility and a minimum ratio of Consolidated Operating EBITDA to Consolidated Interest Expense as determined in accordance with the consolidated credit facility.

The consolidated credit facility also includes customary events of default, including, among other things, payment default, covenant default, breach of representation or warranty, bankruptcy, cross-default, material ERISA events, a change of control of the Company, material money judgments and failure to maintain subsidiary guarantees. As of December 31, 2007, the Company was in compliance with its covenants under the consolidated credit facility.

Bridge Loan

On January 24, 2007, the Company entered into a credit facility, (the "bridge loan") which provides for loans up to $400.0 million. At the closing of the bridge loan, the Company borrowed $300.0 million for general corporate purposes including the repayment of debt and the financing of permitted acquisitions. The bridge loan included an uncommitted accordion feature of up to $100.0 million allowing for future borrowings, subject to certain conditions. The bridge loan is unsecured. Each of ADS Alliance Data Systems, Inc., Alliance Data Foreign Holdings, Inc., Epsilon Marketing Services, LLC and Epsilon Data Management, LLC are guarantors under the bridge loan. At December 31, 2007, borrowings under the bridge loan were $300.0 million at a weighted average interest rate of 7.3%.

On July 6, 2007, the Company entered into a first amendment to the bridge loan to extend the maturity date from July 24, 2007 to December 31, 2007. On December 21, 2007, the Company entered into a second amendment to the bridge loan which extended the maturity date from December 31, 2007 to March 31, 2008 and eliminated the uncommitted accordion feature, which had allowed for future borrowings up to $100.0 million, subject to certain conditions. In addition, the second amendment adjusts the margin applicable to base rate loans and Eurodollar loans to those set forth below. The Company anticipates renewing or refinancing the bridge loan prior to March 31, 2008.

The interest rate for base rate loans fluctuates and is equal to the higher of (A) the Bank of Montreal's prime rate and (B) the Federal funds rate plus 0.5% plus a margin of (1) 0.0% to 0.2% for the period from January 1 to January 31, 2008; (2) 0.0% to 0.45% for the period from February 1 to February 29, 2008; and (3) 0.1% to 0.70% for the period from March 1 to March 31, 2008, based upon our Senior Leverage Ratio as defined in the bridge loan. The interest rate for Eurodollar loans fluctuates based on the London interbank offered rate plus a margin of (1) 1.1% to 1.7% for the period from January 1 to January 31, 2008; (2) 1.35% to 1.95% for the period from February 1 to February 29, 2008; and (3) 1.6% to 2.2% for the period from March 1 to March 31, 2008, based upon our Senior Leverage Ratio as defined in the bridge loan.

The bridge loan contains 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, transfer or dispose of assets; create or

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

incur indebtedness; create liens; pay dividends and repurchase stock; and make investments. The negative covenants are subject to certain exceptions, as specified in the bridge loan. The bridge loan also requires the Company to satisfy certain financial covenants, including maximum ratios of Total Capitalization and Senior Leverage as determined in accordance with the bridge loan and a minimum ratio of Consolidated Operating EBITDA to Consolidated Interest Expense as determined in accordance with the bridge loan. The bridge loan must be prepaid prior to the scheduled maturity date if the Company or any of its subsidiaries issues any debt or equity securities, subject to certain exceptions. The bridge loan also includes customary events of default, including, among other things, payment default, covenant default, breach of representation or warranty, bankruptcy, cross-default, material ERISA events, a change of control, material money judgments and failure to maintain subsidiary guarantees. As of December 31, 2007, the Company was in compliance with its covenants under the bridge loan.

If the Merger is consummated, as described in Note 2, the Company plans to repay in full and terminate the credit facility and the bridge loan with the proceeds of the equity and debt financing commitments obtained by Parent and Merger Sub. For more information regarding the Merger, see the Company's definitive proxy statement and proxy supplement filed with the SEC on July 5, 2007 and July 30, 2007, respectively.

Senior Notes

On May 16, 2006, the Company entered into a senior note purchase agreement and issued and sold $250.0 million aggregate principal amount of 6.00% Series A Notes due May 16, 2009 and $250.0 million aggregate principal amount of 6.14% Series B Notes due May 16, 2011. The Series A and Series B Notes will accrue interest on the unpaid balance thereof at the rate of 6.00% and 6.14% per annum, respectively, from May 16, 2006, payable semiannually, on May 16 and November 16 in each year, commencing with November 16, 2006, until the principal has become due and payable. The note purchase agreement includes usual and customary negative covenants and events of default for transactions of this type. The senior notes are unsecured. The payment obligations under the senior notes are guaranteed by certain of the Company's existing and future subsidiaries, originally ADS Alliance Data Systems, Inc. Due to their status as guarantors under the consolidated credit facility and pursuant to a Joinder to Subsidiary Guaranty dated as of September 29, 2006, three additional subsidiaries of the Company became guarantors of the senior notes, including Alliance Data Foreign Holdings, Inc., Epsilon Marketing Services, LLC and Epsilon Data Management, LLC. As of December 31, 2007, the Company was in compliance with its covenants.

On October 22, 2007, the Company entered into an amendment in respect of the note purchase agreement with all of the Holders (as defined in the note purchase agreement) providing for a mandatory prepayment of all of the notes on the date that the Merger is consummated. The Notes would be repaid at 100% of the principal amount plus accrued and unpaid interest to the date of prepayment and the Make-Whole Amount (as defined in the Note Purchase Agreement) as determined for the prepayment date in accordance with the terms of the amendment. The obligation of the Company to prepay the Notes pursuant to the terms of the amendment was subject to and conditioned upon the occurrence of the Merger on our prior to January 1, 2008 and therefore is void and of no further force and effect since the Merger did not close on or prior to that date.

Other—The Company has other minor borrowings, primarily capital leases, with varying interest rates.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Maturities—Debt at December 31, 2007 matures as follows (In thousands):

2008	$ 686,130
2009	261,652
2010	11,266
2011	250,457
2012	121,000
Thereafter	—
	$ 1,330,505

13. INCOME TAXES

The Company files a consolidated federal income tax return.

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Components of income before income taxes:			
Domestic	$172,331	$227,044	$157,027
Foreign	102,421	79,225	65,099
Total	$274,752	$306,269	$222,126
Components of income tax expense are as follows:			
Current			
Federal	$ 65,869	$ 92,442	$ 52,290
State	9,455	6,362	4,793
Foreign	63,096	45,632	39,773
Total current	138,420	144,436	96,856
Deferred			
Federal	(23,097)	(16,780)	5,092
State	5,170	(1,870)	(3,033)
Foreign	(9,802)	(9,122)	(15,534)
Total deferred	(27,729)	(27,772)	(13,475)
Total provision for income taxes	$110,691	$116,664	$ 83,381

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:

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Expected expense at statutory rate	$ 96,163	$107,194	$77,744
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal benefit	8,337	3,996	1,144
Foreign earnings at other than United States rates	449	398	293
Non-deductible expenses	5,247	4,244	1,439
State law changes, net of federal expense	1,169	(1,076)	—
Canadian tax rate reductions	10,712	3,321	—
Tax credits	(14,680)	—	—
Other, net	3,294	(1,413)	2,761
Total	$110,691	$116,664	$83,381

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred tax assets and liabilities consist of the following:

	December 31,	
	2007	2006
	(In thousands)	
Deferred tax assets		
Deferred revenue	$138,644	$112,547
Allowance for doubtful accounts	17,008	16,105
Net operating loss carryforwards and other carryforwards	84,754	53,592
Depreciation	12,863	9,267
Stock-based compensation and other employee benefits	34,730	16,684
Accrued expenses and other	27,913	15,597
Total deferred tax assets	315,912	223,792
Valuation allowance	(53,312)	(32,070)
Deferred tax assets, net of valuation allowance	262,600	191,722
Deferred tax liabilities		
Deferred income	$ 36,372	$ 35,948
Servicing rights	56,907	38,788
Intangible assets	40,269	72,498
Total deferred tax liabilities	133,548	147,234
Net deferred tax asset	$129,052	$ 44,488
Amounts recognized in the consolidated balance sheet:		
Current assets	$ 95,950	$ 88,722
Non-current assets	$ 33,102	$ —
Non-current liabilities	$ —	$ 44,234

At December 31, 2007, the Company has approximately $78.2 million of U.S. federal net operating loss carryovers (“NOLs”), approximately $12.3 million of capital losses, and approximately $24.9 million of tax credits (“credits”), which expire at various times through the year 2025. Pursuant to Section 382 of the Internal Revenue Code, the Company’s utilization of such NOLs and approximately $2.0 million of tax credits are subject to an annual limitation. The Company believes it is more likely than not that a portion of the federal NOLs and credits will expire before being utilized. Therefore, in accordance with FAS No. 109, “Accounting for Income Taxes” (“SFAS No. 109”), the Company has established a valuation allowance on the portion of NOLs and credits that the Company expects to expire prior to utilization. The Company also believes it is more likely than not that a portion of the credits and capital losses not subject to Section 382 limitations will expire before being utilized. Therefore, in accordance with SFAS No. 109, the Company has established a valuation allowance against the portion of these credits and capital losses that are expected to expire prior to utilization.

At December 31, 2007, the Company has state income tax NOLs of approximately $460 million and state credits of approximately $7.1 million available to offset future state taxable income. The state NOLs and credits will expire at various times through the year 2027. The Company believes it is more likely than not that a portion of the state NOLs and credits will expire before being utilized. Therefore, in accordance with SFAS No. 109, the Company has established a valuation allowance on the portion of NOLs and credits that the Company expects to expire prior to utilization.

At December 31, 2007, the Company has foreign income tax NOLs of approximately $5.5 million and capital losses of approximately $8.5 million, which expire at various times through the year 2017. The Company

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

believes it is more likely than not that capital gains will not be generated to utilize the capital losses in the foreseeable future. Therefore, in accordance with SFAS No. 109, the Company has established a valuation allowance against the entire capital loss.

As of December 31, 2007, the Company's valuation allowance has increased, which is primarily attributable to the recording of various tax credits and carryforwards, a portion of which the Company believes it is more likely than not will expire prior to utilization.

The Company has unremitted earnings of foreign subsidiaries of approximately $138.0 million. A deferred tax liability has not been established on the unremitted earnings, as it is management's intention to permanently reinvest those earnings in foreign jurisdictions. If a portion were to be remitted, management believes income tax credits would substantially offset any resulting tax liability.

Of the total tax benefits resulting from the exercise of employee stock options and other employee stock programs, the amounts recorded to stockholders' equity were approximately $8.2 million, $17.5 million and $13.6 million for the years ended 2007, 2006 and 2005, respectively.

The Canadian government has enacted laws that reduce the income tax rates for years beginning in 2008. The first of these laws was enacted in June 2006 and another was enacted in December 2007. As a result of these rate reductions, the Company was required to book additional expense to reduce the net deferred tax asset in Canada related to the future lower income tax rates. The Company recorded $5.4 million and $3.3 million of income tax expense for the years ended 2007 and 2006, respectively, related to the June 2006 rate reduction. The Company recorded $5.3 million in 2007 related to the December 2007 rate reduction.

On January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 ("FIN No. 48"), Accounting for Uncertainty in Income Taxes. As a result of the implementation of FIN No. 48, the Company recognized an increase of approximately $8.8 million in the liability for unrecognized tax benefits, which was accounted for as a reduction to retained earnings. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (In thousands):

Balance at January 1, 2007	$56,096
Increases related to prior years tax positions	1,619
Decreases related to prior years tax positions	(3,559)
Increases related to current year tax positions	7,745
Settlements during the period	1,756
Lapses of applicable statute of limitations	(823)
Balance at December 31, 2007	$62,834

Included in the balance at December 31, 2007 are tax positions reclassified from deferred tax liabilities. Deductibility is highly certain for these tax positions but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period 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. As of December 31, 2007, the Company has potential cumulative interest and penalties with respect to unrecognized tax benefits of approximately $19 million. For the year ended December 31, 2007, the Company recognized approximately $3.7 million, in potential interest and penalties with respect to unrecognized tax benefits.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

If recognized at some point in the future, the unrecognized tax benefits would favorably impact the effective tax rate by approximately $35 million. 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 United States Federal jurisdiction and in many state and foreign jurisdictions. With few exceptions, the tax returns filed by the Company are no longer subject to United States Federal or state and local income tax examinations for years before 2004 and are no longer subject to foreign income tax examinations by tax authorities for years before 2003.

14. STOCKHOLDERS' EQUITY

On June 8, 2005, the Company's Board of Directors authorized a repurchase program to acquire up to an aggregate of $80.0 million of its outstanding common stock through June 2006. On October 27, 2005, the Company's Board of Directors authorized a second stock repurchase program to acquire up to an additional $220.0 million of its outstanding common stock through October 2006.

On September 28, 2006, the Company's Board of Directors authorized a third stock repurchase program to acquire up to an additional $600.0 million of its outstanding common stock through December 2008, in addition to any amount remaining available at the expiration of the second stock repurchase program.

Under the plans, the Company has acquired 1,805,800, 2,857,672, and 3,942,100 shares for approximately $108.5 million, $146.0 million and $148.8 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Per the terms of the Merger Agreement, the Company agreed that from May 17, 2007 until the effective time of the Merger or the expiration or termination of the Merger Agreement, with certain exceptions, the Company would not purchase any of our capital stock, which includes suspension of any repurchases under the third stock repurchase program or otherwise. From May 17, 2007 through December 31, 2007, the Company has not purchased any additional shares under the third stock repurchase program.

15. 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.

On April 4, 2003, the Board of Directors of the Company adopted the 2003 long term incentive plan and the stockholders approved it at the Company's 2003 annual meeting of stockholders on June 10, 2003. This plan reserves 6,000,000 shares of common stock for grants of incentive stock options, nonqualified stock options, restricted stock awards and performance shares to officers, employees, non-employee directors and consultants performing services for the Company or its affiliates.

On March 31, 2005, the Board of Directors of the Company adopted the 2005 long-term incentive plan. On June 7, 2005, at the annual meeting of stockholders, the stockholders approved and adopted the Company's 2005 long term incentive plan, effective July 1, 2005. This plan reserves 4,750,000 shares of common stock for grants of incentive stock options, nonqualified stock options, restricted stock awards, restricted stock units and performance shares to officers, employees, non-employee directors and consultants performing services for the Company or its affiliates.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Terms of all awards under both the 2003 long-term incentive plan and the 2005 long-term incentive plan are determined by the Board of Directors or the compensation committee of the Board of Directors or its designee at the time of award.

Effective January 1, 2006, the Company adopted the provisions of, and accounted for stock-based compensation in accordance with, SFAS No. 123(R) which supersedes APB No. 25. 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. The Company elected the modified prospective method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS No. 123(R) apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. Estimated compensation for grants that were outstanding as of the effective date will be recognized over the remaining service period using the compensation expense estimated under SFAS No. 123 pro forma disclosures, adjusted for forfeitures.

Total stock-based compensation expense recognized in the Company's consolidated statements of income for the years ended December 31, 2007, 2006, and 2005, is as follows:

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Cost of operations	$ 35,015	$ 26,982	$ —
General and administrative	21,228	16,071	14,143
Total	$ 56,243	$ 43,053	$ 14,143

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. SFAS No. 123(R) 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. Prior to the adoption of SFAS No. 123(R), the Company accounted for forfeitures as they occurred in accordance with APB No. 25 and did not estimate forfeitures. As of December 31, 2007, there was approximately $38.9 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 1.8 years.

Prior to the adoption of SFAS No. 123(R), the Company accounted for stock-based awards to employees using the intrinsic value method in accordance with APB No. 25. Under the intrinsic value method, stock-based compensation expense for employee stock options was not recognized in the Company's results of operations as the exercise price equaled the fair market value of the underlying stock at the date of grant. In accordance with the modified prospective transition method, the Company's prior year financial statements have not been restated to reflect the impact of the adoption of SFAS No. 123(R).

Restricted Stock

During 2007, the Company has awarded both service-based and performance-based restricted stock units. Fair value of the restricted stock is estimated on the date of grant. In accordance with SFAS No. 123(R), the Company recognizes the estimated stock-based compensation expense, net of estimated forfeitures, over the applicable service period.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Performance-Based	Service-Based[1]	Total
Balance at January 1, 2005	—	191,000	191,000
Shares granted	153,086	388,794	541,880
Shares vested	(141,693)	(78,876)	(220,569)
Shares cancelled	(11,393)	(31,078)	(42,471)
Balance at December 31, 2005	—	469,840	469,840
Shares granted	242,015	626,672	868,687
Shares vested	(8,100)	(130,793)	(138,893)
Shares cancelled	(14,460)	(75,765)	(90,225)
Balance at December 31, 2006	219,455	889,954	1,109,409
Shares granted[2]	350,809	422,980	773,789
Shares vested[2]	(318,864)	(311,033)	(629,897)
Shares cancelled	(22,824)	(129,343)	(152,167)
Balance at December 31, 2007	228,576	872,558	1,101,134

(1) Amounts include 3,206 and 4,489 shares of stock issued to the Board of Directors for 2006 and 2005, respectively. The shares vest immediately, but are subject to transfer restrictions until one year after the director's service on the Board terminates.

(2) Includes 86,314 performance based restricted stock awarded in 2006, for which the performance criteria was met and vested in 2007.

The weighted average grant-date fair value per share was $65.21 for restricted stock awards granted for the year ended December 31, 2007.

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 fair value of each option award is estimated on the date of grant using a binomial lattice model. The following table indicates the assumptions used in estimating fair value for the years ended December 31, 2007, 2006 and 2005.

	Year Ended December 31,		
	2007	2006	2005
Expected dividend yield	—	—	—
Risk-free interest rate	4.51%-4.99%	4.53%-4.65%	2.94%-4.76%
Expected life of options (years)	6.8	7.1	6.4
Assumed volatility	31.8%-35.7%	31.9%-37.0%	28.8%-43.6%
Weighted average fair value	$26.15	$18.46	$16.60

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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
	(In thousands, except per share amounts)			
Balance at January 1, 2005	6,615	$ 21.33		
Granted	2,102	41.00		
Exercised	(1,506)	17.86		
Cancelled	(531)	32.80		
Balance at December 31, 2005	6,680	$ 27.19	3,319	$ 18.01
Granted	620	43.44		
Exercised	(2,053)	21.57		
Cancelled	(375)	29.96		
Balance at December 31, 2006	4,872	$ 30.98	2,697	$ 23.80
Granted	433	63.33		
Exercised	(618)	29.94		
Cancelled	(81)	40.92		
Balance at December 31, 2007	4,606	$ 33.98	3,327	$ 28.19
At December 31, 2007 Vested or Expected to Vest	4,193	$ 32.73		

Based on the market value on their respective exercise dates, the total intrinsic value of options exercised during the year ended December 31, 2007 was approximately $22.6 million.

The following table summarizes information concerning currently outstanding and exercisable stock options at December 31, 2007:

	Outstanding			Exercisable	
	Options	Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	(In thousands, except per share amounts)				
$9.00 to $12.00	421	3.0	$ 11.57	421	$ 11.57
$12.01 to $15.00	579	2.9	$ 14.97	579	$ 14.97
$15.01 to $22.00	18	4.9	$ 19.79	18	$ 19.79
$22.01 to $29.00	509	5.5	$ 24.05	509	$ 24.05
$29.01 to $39.00	779	6.3	$ 31.95	754	$ 31.80
$39.01 to $47.00	1,857	7.4	$ 41.79	1,030	$ 41.54
$47.01 to $54.00	19	8.4	$ 53.34	13	$ 53.40
$54.01 to $64.00	424	9.1	$ 63.33	3	$ 63.35
	4,606			3,327	

The aggregate intrinsic value of options outstanding as of December 31, 2007 was approximately $188.9 million. For those options outstanding and exercisable which are expected to vest as of December 31, 2007 the aggregate intrinsic value was approximately $177.2 million and $150.4 million, respectively, with a weighted

average remaining contractual life of 6.0 years and 5.4 years, respectively. The number of options outstanding and expected to vest is impacted by our forfeiture rate assumptions.

During 2007, the vesting provisions of 186,257 shares of restricted stock and stock options issued to 44 employees were modified. The service conditions of these awards were accelerated in connection with the anticipation of termination and the termination of these employees. The terms were modified such that should the Merger, as discussed in Note 2, be completed before the Merger Agreement expires or is otherwise terminated, the employee would then receive the consideration as set forth in the Merger Agreement. As a result of the modification, the Company recorded incremental stock-based compensation expense of approximately $7.9 million. Additionally, in connection with the sale of our Mail Services division, the vesting provisions of the awards for 25 employees associated with the division were accelerated on the date of sale, and the Company recorded an incremental stock-based compensation expense of approximately $1.8 million.

As discussed in Note 2, vesting of substantially all of the Company's stock options, restricted stock awards, and restricted stock units will be accelerated upon closing of the Merger. In February 2006, the Financial Accounting Standards Board ("FASB") issued Staff Position No. FAS 123(R)-4, "Classification of Options and Similar Instruments Issued as Employee Compensation That Allow for Cash Settlement upon Occurrence of a Contingent Event" ("FSP FAS 123(R)-4"). FASB Staff Position FSP FAS 123(R)-4 amends SFAS No. 123(R) to require evaluation of the probability of occurrence of a contingent cash settlement event in determining whether the underlying options or similar instruments issued as employee compensation should be classified as liabilities or equity. On the date the contingent event becomes probable of occurring the award must be recognized as a liability. On that date, the company recognizes a share-based liability equal to the portion of the award attributed to past service and any provision for accelerated vesting, multiplied by the fair value of the award on that date. The Merger described in Note 2 is the contingent event that would result in cash settlement of the Company's outstanding stock options, restricted stock and restricted stock units.

The Company does not believe the Merger is considered probable under FSP FAS 123(R)-4 as of December 31, 2007.

16. EMPLOYEE BENEFIT PLANS

On June 7, 2005, at the annual meeting of stockholders, the stockholders approved and adopted the Amended and Restated Employee Stock Purchase Plan (the "ESPP"), effective on July 1, 2005. No employee may purchase more than $25,000 in stock under the ESPP in any calendar year, and no employee may purchase stock under the ESPP if such purchase would cause the employee to own more than 5% of the voting power or value of the Company's common stock. The ESPP provides for three month offering periods, commencing on the first trading day of each calendar quarter and ending on the last trading day of each 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 each quarter. An employee may elect to pay the purchase price of such common stock through payroll deductions. The maximum number of shares that were reserved for issuance under the ESPP is 1,500,000 shares, and subject to adjustment as provided in the ESPP. Employees are required to hold any stock purchased through the ESPP for 180 days prior to any sale or withdrawal of shares. Approximately 687,655 shares of common stock have been purchased under the plan since its adoption, with approximately 41,226 shares purchased in 2007. In accordance with the terms of the Merger Agreement, as of June 29, 2007, the ESPP was closed to further contributions.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On June 7, 2005, the stockholders, at the annual meeting of stockholders, approved the Executive Annual Incentive Plan. Under the plan, the Company may grant to each eligible employee, including executive officers and other key employees, incentive awards to receive cash upon the achievement of pre-established performance goals. No participant may be granted performance awards in excess of $5.0 million in any calendar year.

The Company maintains a 401(k) retirement savings plan, which covers all eligible U.S. employees. Participants can, in accordance with Internal Revenue Service ("IRS") guidelines, set aside both pre-and post-tax savings in this account. In addition to an employee's savings, the Company contributes to plan participants' accounts. The Alliance 401(k) and Retirement Savings Plan was amended effective January 1, 2004 to better benefit the majority of Company employees. The plan is an IRS-approved safe harbor plan design that eliminates the need for most discrimination testing.

Eligible employees can participate in the plan immediately upon joining the Company and after six months of employment begin receiving Company matching contributions. On the first three percent of savings, the Company matches dollar-for-dollar. An additional fifty cents for each dollar an employee contributes is matched for savings of more than three percent and up to five percent of pay. All Company matching contributions are immediately vested. In addition to the Company match, the Company annually may make an additional contribution based on the profitability of the Company. This contribution, subject to Board of Directors approval, is based on a percentage of pay and is subject to a five year vesting schedule. The participants in the plan can direct their contributions and the Company's matching contribution to nine investment options, including the Company's common stock. Company contributions for employees age 65 or older vest immediately. Contributions for the years ended December 31, 2007, 2006 and 2005 were $18.1 million, $15.2 million and $14.2 million, respectively.

The Company also provides a Deferred Profit Sharing Plan for its Canadian employees after one year of service. Company contributions range from one to five percent of earnings, based on years of service.

The Company also maintains an Executive Deferred Compensation Plan. The Executive Deferred Compensation Plan provides an opportunity for a select 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.

17. COMPREHENSIVE INCOME

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

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Net income	164,061	189,605	138,745
Unrealized gain on securities available-for-sale	846	1,880	414
Foreign currency translation adjustments[1]	13,946	(721)	3,205
Total accumulated other comprehensive income	$ 178,853	$ 190,764	$ 142,364

(1) Primarily related to the impact of changes in the Canadian currency exchange rate.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The components of accumulated other comprehensive income are as follows:

	Year Ended December 31,	
	2007	2006
	(In thousands)	
Unrealized gain on securities available-for-sale	$ 6,237	$ 5,391
Unrealized foreign currency gain	17,803	3,857
Total comprehensive income	$ 24,040	$ 9,248

18. COMMITMENTS AND CONTINGENCIES

AIR MILES Reward Program

The Company has entered into contractual arrangements with certain AIR MILES sponsors that result in fees being billed to those sponsors upon the redemption of 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 totaled $146.2 million at December 31, 2007, which exceeds the amount of the Company's estimate of its obligation to provide travel and other rewards upon the redemption of the reward miles issued by those sponsors.

The Company currently has an obligation to provide 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. Under these agreements, the Company is required to purchase annual minimums of approximately $35.3 million.

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 $57.4 million, $50.2 million and $45.9 million for the years ended December 31, 2007, 2006, and 2005, respectively.

In December 2007, the Company entered into certain sales-lease back transactions which resulted in proceeds of approximately $25.9 million and a deferred gain of $10.8 million. The leases have been reflected as capital lease obligations and the gain amortized over the expected lease term in proportion to the leased assets.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Future annual minimum rental payments required under noncancellable operating and capital leases, some of which contain renewal options, as of December 31, 2007, are:

Year	Operating Leases	Capital Leases
	(In thousands)	
2008	$ 55,013	$ 18,030
2009	46,474	13,062
2010	36,258	11,774
2011	28,394	466
2012	25,113	—
Thereafter	89,224	—
Total	$ 280,476	43,332
Less amount representing interest		(4,227)
Total present value of minimum lease payments		$ 39,105

Regulatory Matters

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

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

Quantitative measures established by regulation to ensure capital adequacy require WFNNB to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk weighted assets (as defined) and of Tier 1 capital to average assets (as defined) ("total capital ratio", "Tier 1 capital ratio" and "leverage ratio", respectively). Under the regulations, a "well capitalized" institution must have a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order. An "adequately capitalized" institution must have a Tier 1 capital ratio of at least 4%, a total capital ratio of at least 8% and a leverage ratio of at least 4%, but 3% is allowed in some cases. Under these guidelines, WFNNB is considered well capitalized. As of December 31, 2007, WFNNB's Tier 1 capital ratio was 35.0%, total capital ratio was 36.7% and leverage ratio was 51.6%, and WFNNB was not subject to a capital directive order.

The Company's industrial bank, World Financial Capital Bank, is authorized to do business by the State of Utah and the Federal Deposit Insurance Corporation. World Financial Capital Bank is subject to capital ratios

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

and paid-in capital minimums and must maintain adequate allowances for loan losses. While the consequence of losing the World Financial Capital Bank authority to do business would be significant, the Company believes that the risk of such loss is minimal as a result of the precautions it has taken and the management team it has in place.

As part of an acquisition in 2003 by World Financial Network National Bank, which required approval by the OCC, the OCC required World Financial Network National Bank to enter into an operating agreement with the OCC and a capital adequacy and liquidity maintenance agreement with the Company. The operating agreement requires World Financial Network National Bank to continue to operate in a manner consistent with its current practices, regulatory guidelines and applicable law, including those related to affiliate transactions, maintenance of capital and corporate governance. This operating agreement has not required any changes in World Financial Network National Bank's operations. The capital adequacy and liquidity maintenance agreement memorializes the Company's current obligations to World Financial Network National Bank.

If either of the Company's depository institution subsidiaries, World Financial Network National Bank or World Financial Capital Bank, failed to meet the criteria for the exemption from the definition of "bank" in the Bank Holding Company Act under which it operates, and if the Company did not divest such depository institution upon such an occurrence, the Company would become subject to regulation under the Bank Holding Company Act. This would require the Company to cease certain activities that are not permissible for companies that are subject to regulation under the Bank Holding Company Act.

Cardholders

The Company's Credit 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 cardholders that can be used for purchases of merchandise offered for sale by clients of the Company. 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. As of December 31, 2007, the Company had approximately 27.5 million cardholders, having unused lines of credit averaging $1,103 per account.

Legal Proceedings

The Company is aware of litigation arising from what were originally four lawsuits filed against the Company and its directors in connection with the Merger. On May 18, 2007, Sherryl Halpern filed a putative class action (cause no. 07-04689) on behalf of Company stockholders in the 68th Judicial District of Dallas County, Texas against the Company, all of its directors and The Blackstone Group (the "Halpern Petition"). On May 21, 2007, Levy Investments, Ltd. ("Levy") filed a purported derivative lawsuit (cause no. 219-01742-07) on behalf of the Company in the 219th Judicial District of Collin County, Texas against all of the Company's directors and The Blackstone Group (the "Levy Petition") (this suit was subsequently transferred to the 296th Judicial District of Collin County, Texas and assumed the cause no. 296-01742-07). On May 29, 2007, Linda Levine filed a putative class action (cause no. 07-05009) on behalf of Company stockholders in the 192nd Judicial District of Dallas County, Texas against the Company and all of its directors (the "Levine Petition"). On May 31, 2007, the J&V Charitable Remainder Trust filed a putative class action (cause no. 07-05127-F) on

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

behalf of Company stockholders in the 116th Judicial District of Dallas County, Texas against the Company, all of its directors and The Blackstone Group (the "J&V Petition").

The three putative class actions were consolidated in the 68th Judicial District Court of Dallas County, Texas (the "Court") under the caption In re Alliance Data Corp. Class Action Litigation, No. 07-04689. On July 16, 2007, a consolidated class action petition was filed seeking a declaration that the action was a proper class action, an order preliminarily and permanently enjoining the Merger, a declaration that the director defendants breached their fiduciary duties and an award of fees, expenses and costs. The Company and its directors filed general denials in response to the putative class actions.

The derivative action filed by Levy was voluntarily dismissed and refiled in Dallas County (cause no. 07-06794), and was subsequently transferred to the Court. On July 18, 2007, Levy filed an amended derivative petition seeking an injunction preventing consummation of the Merger, an order directing the director defendants to exercise their fiduciary duties to obtain a transaction beneficial to the Company and its stockholders, a declaration that the Merger Agreement was entered into in breach of the director defendants' fiduciary duties and is unlawful and unenforceable, an order rescinding the Merger Agreement, the imposition of a constructive trust upon any benefits improperly received by the director defendants and an award of costs and disbursements, including reasonable attorneys' and experts' fees. On July 24, 2007, the Company and its directors filed their Motion to Abate, Plea to the Jurisdiction and Special Exceptions to the derivative action.

On July 12, 2007, class plaintiffs filed a motion to enjoin the scheduled August 8, 2007 special meeting of stockholders at which stockholders would be asked to vote to adopt the Merger Agreement. On July 20, 2007, Levy filed a motion reflecting its similar demand. On July 27, 2007, the Company and its directors filed an opposition brief to both motions. The Company continued to deny all of the allegations in the consolidated class action petition and the amended derivative petition, contended that the asserted claims were baseless and strongly believed that its disclosures in the Company's definitive proxy statement filed with the SEC on July 5, 2007 (the "Definitive Proxy") were appropriate and adequate under applicable law. Nevertheless, in order to lessen the risk of any delay of the closing of the Merger as a result of the litigation, the Company made available to its stockholders certain additional information in connection with the Merger, which was filed with the SEC on July 27, 2007 and subsequently mailed to stockholders on or about July 28, 2007 (the "Proxy Supplement"). Class action and derivative plaintiffs subsequently withdrew their motions to enjoin the August 8, 2007 special meeting of stockholders.

Subsequently, on August 7, 2007, Levy filed an Application for Attorneys' Fees, stating that the substantive issues in the case had been resolved and seeking $750,000 in attorney's fees. Levy alleged that its lawsuit caused the Company to issue the Proxy Supplement, which, Levy contended, contained material disclosures critical to the stockholders' assessment of the fairness of the Merger. Levy filed a Second Amended Petition and Amended Application for Attorney's Fees on October 25, 2007, replacing Levy Investments with Yona Levy as plaintiff. In late December 2007, the parties reached a tentative settlement wherein the Company agreed to pay derivative plaintiffs' counsel $290,000 as consideration for their contribution to the issuance of the Proxy Supplement. The settlement includes a mutual release between the Company and Yona Levy, in his individual capacity and in his derivative capacity as a stockholder of the Company. An order approving the settlement and a judgment dismissing the derivative claims were entered on January 31, 2008.

On August 14, 2007, class plaintiffs filed a Second Amended Petition, in which they withdrew all prior claims but added a claim for an equitable award of attorney's fees. Similar to Levy, class plaintiffs allege that their lawsuits caused the Company to issue the Proxy Supplement, and that the supplement constituted a benefit to the Company, its directors and stockholders for which class plaintiffs' attorneys should be compensated. In mid-December 2007, the parties reached a tentative settlement wherein the Company agreed to pay class

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

plaintiffs' counsel $380,000 as consideration for their contribution to the issuance of the Proxy Supplement. The parties are in the process of finalizing a stipulation of settlement, which must be approved by the Court.

The Company continues to contend that the disclosures in the Definitive Proxy were appropriate and adequate, and that we made the Proxy Supplement available to stockholders solely to lessen the risk of any delay of the closing of the Merger as a result of the litigation. The Company denies that the Proxy Supplement contained any material disclosures or constituted any benefit to the Company, its directors or its stockholders.

On January 30, 2008, the Company filed a lawsuit in the Delaware Court of Chancery against Aladdin Solutions, Inc. (f/k/a Aladdin Holdco, Inc.) and Aladdin Merger Sub, Inc. seeking specific performance of their respective obligations under the Merger Agreement, including covenants to use reasonable best efforts to obtain required regulatory approvals and to consummate the Merger. This lawsuit was filed in response to a written notice we received on January 25, 2008 from Aladdin Solutions, Inc. informing us that it did not anticipate the condition to closing the Merger relating to obtaining approvals from the Office of the Comptroller of the Currency would be satisfied. On February 8, 2008, the Company filed a notice to dismiss the lawsuit without prejudice in response to confirmation of the defendants' commitment to work to consummate the Merger.

In addition, from time to the Company is involved in various claims and lawsuits arising in the ordinary course of its business that the Company believes will not have a material adverse affect on our business or financial condition, including claims and lawsuits alleging breaches of our contractual obligations.

19. FINANCIAL INSTRUMENTS

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit through charge cards. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of these instruments reflect the extent of the Company's involvement in particular classes of financial instruments.

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

	December 31,			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets				
Cash and cash equivalents	$ 265,839	$ 265,839	$ 180,075	$ 180,075
Due from card associations	21,456	21,456	108,671	108,671
Trade receivables, net	306,992	306,992	271,563	271,563
Seller's interest and credit card receivables, net	652,434	652,434	569,389	569,389
Redemption settlement assets, restricted	317,053	317,053	260,957	260,957
Due from securitizations	379,268	379,268	325,457	325,457
Financial liabilities				
Accounts payable	134,790	134,790	112,582	112,582
Merchant settlement obligations	216,560	216,560	188,336	188,336
Debt	1,330,505	1,323,218	1,044,377	1,048,477

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Cash and cash equivalents, due from card associations, trade receivables, net, accounts payable, and merchant settlement obligations—The carrying amount approximates fair value due to the short maturity.

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

Redemption settlement assets—Fair values for securities are based on quoted market prices.

Due from securitizations—The spread deposits and I/O strips are recorded at their fair value. 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.

Debt—The fair value was estimated based on the current rates available to the Company for debt with similar remaining maturities.

20. PARENT-ONLY FINANCIAL STATEMENTS

ADSC provides guarantees under the credit facilities on behalf of certain of its subsidiaries. The stand alone parent-only financial statements are presented below.

Balance Sheets

	December 31,	
	2007	2006
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 174	$ 20
Investment in subsidiaries	1,306,826	1,262,115
Intercompany receivables	1,118,083	805,768
Other assets	21,174	3,073
Total assets	$ 2,446,257	$ 2,070,976
Liabilities:		
Current debt	$ 300,000	$ —
Long-term debt	621,000	725,000
Other liabilities	328,291	274,443
Total liabilities	1,249,291	999,443
Stockholders' equity	1,196,966	1,071,533
Total liabilities and stockholders' equity	$ 2,446,257	$ 2,070,976

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Statements of Income

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Interest from loans to subsidiaries	$ 35,048	$ 33,996	$ 27,235
Dividends from subsidiaries	202,250	102,500	100,000
Total revenue	237,298	136,496	127,235
Loss on sale of long-lived assets	16,045	—	—
Interest expense, net	64,289	34,061	11,665
Other expenses, net	(289)	184	140
Total expenses	80,045	34,245	11,805
Income before income taxes and equity in undistributed net income of subsidiaries	157,253	102,251	115,430
(Benefit) provision for income taxes	(19,645)	1,399	10,192
Income before equity in undistributed net income of subsidiaries	176,898	100,852	105,238
Equity in undistributed net (loss) income of subsidiaries	(12,837)	88,753	33,507
Net income	$ 164,061	$ 189,605	$ 138,745

Statements of Cash Flows

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Net cash (used in) provided by operating activities	$ 108,270	$ (97,857)	$ 18,292
Investing activities:			
Net received for the sale of assets	12,347	—	—
Net cash paid for corporate acquisitions	(438,163)	(205,567)	(140,901)
Net cash used in investing activities	(425,816)	(205,567)	(140,901)
Financing activities:			
Credit facility and subordinated debt	2,309,000	3,599,000	1,264,000
Repayment of credit facility and subordinated debt	(2,113,000)	(3,315,000)	(1,126,000)
Excess tax benefit from share-based awards	8,163	17,521	—
Other	(1,069)	(3,415)	—
Purchase of treasury shares	(108,536)	(145,998)	(145,043)
Net proceeds from issuances of common stock	20,892	48,831	29,106
Dividends paid	202,250	102,500	100,000
Net cash provided by financing activities	317,700	303,439	122,063
Increase (decrease) in cash and cash equivalents	154	15	(546)
Cash and cash equivalents at beginning of year	20	5	551
Cash and cash equivalents at end of year	$ 174	$ 20	$ 5

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

21. SEGMENT INFORMATION

Operating segments are defined by SFAS No. 131 “Disclosure About Segments of an Enterprise and Related Information” as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company’s chief operating decision making group is the Executive Committee of management, which consists of the Chairman of the Board and Chief Executive Officer, Chief Operating Officer, and all Executive Vice Presidents. The operating segments are reviewed separately because each operating segment represents a strategic business unit that generally offers different products and serves different markets.

The Company operates in three reportable segments: Marketing Services, Credit Services and Transaction Services.

- Marketing Services provides loyalty programs, such as the AIR MILES Reward Program, and integrated direct marketing solutions that combine database marketing technology and analytics with a broad range of direct marketing services, that includes email marketing campaigns. The Marketing Services segment has two operating segments, AIR MILES Reward Program and U.S. Marketing Services that have been aggregated to one reportable segment.
- Credit Services provides private label, commercial and co-branded credit card receivables financing. Credit Services generally securitizes the credit card receivables that it underwrites from its private label retail card programs.
- Transaction Services encompasses card processing, billing and payment processing and customer care for specialty and petroleum retailers (processing services), customer information system hosting, customer care and billing and payment processing for regulated and de-regulated municipal utilities (utility services) and point-of-sale services (merchant services).

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

The accounting policies of the operating segments are generally the same as those described in the summary of significant accounting policies. Corporate overhead is allocated equally across the segments.

Interest expense, net and income taxes are not allocated to the segments in the computation of segment operating profit for internal evaluation purposes. Total assets are not allocated to the segments.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Year Ended December 31, 2007	Marketing Services	Credit Services	Transaction Services	Other/ Elimination	Total
			(In thousands)		
Revenues	$ 1,086,931	$ 808,288	$ 753,357	$ (357,387)	$ 2,291,189
Adjusted EBITDA[1]	236,857	317,661	88,231	—	642,749
Depreciation and amortization	99,640	13,717	53,275	—	166,632
Stock compensation expense	25,803	10,032	20,408	—	56,243
Merger and other costs[2]	—	—	—	19,593	19,593
Impairment of long-lived assets	—	—	39,961	—	39,961
Loss on sale of assets	—	—	16,045	—	16,045
Operating income (loss)	111,414	293,912	(41,458)	(19,593)	344,275
Interest expense, net	—	—	—	69,523	69,523
Income (loss) before income taxes	111,414	293,912	(41,458)	(89,116)	274,752
Capital expenditures	65,573	2,790	48,289	—	116,652

Year Ended December 31, 2006	Marketing Services	Credit Services	Transaction Services	Other/ Elimination	Total
			(In thousands)		
Revenues	$ 849,158	$ 731,338	$ 776,036	$ (357,790)	$ 1,998,742
Adjusted EBITDA[1]	159,186	248,204	107,970	—	515,360
Depreciation and amortization	58,681	13,690	52,669	—	125,040
Stock compensation expense	18,162	8,451	16,440	—	43,053
Operating income	82,343	226,063	38,861	—	347,267
Interest expense, net	—	—	—	40,998	40,998
Income before income taxes	82,343	226,063	38,861	(40,998)	306,269
Capital expenditures	32,652	1,996	65,704	—	100,352

Year Ended December 31, 2005	Marketing Services	Credit Services	Transaction Services	Other/ Elimination	Total
			(In thousands)		
Revenues	$ 604,145	$ 561,413	$ 699,884	$ (313,005)	$ 1,552,437
Adjusted EBITDA[1]	97,903	162,481	90,074	—	350,458
Depreciation and amortization	36,477	6,647	56,583	—	99,707
Stock compensation expense	4,714	4,714	4,715	—	14,143
Operating income	56,712	151,120	28,776	—	236,608
Interest expense, net	—	—	—	14,482	14,482
Income before income taxes	56,712	151,120	28,776	(14,482)	222,126
Capital expenditures	20,340	2,152	43,408	—	65,900

(1) Adjusted EBITDA is a non-GAAP financial measure equal to net income, the most directly comparable GAAP financial measure, plus stock compensation expense, provision for income taxes, interest expense, net, fair value loss on interest rate derivative, other expenses, depreciation and amortization. Adjusted EBITDA is presented in accordance with SFAS No. 131 as it is the primary performance metric by which senior management is evaluated.

(2) Merger and other costs are not allocated to the segments in the computation of segment operating profit for internal evaluation purposes. Merger costs represent investment banking, legal, and accounting costs. Other costs represent compensation charges related to certain departing corporate executives.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Information concerning principal geographic areas is as follows:

	United States	Canada	Other	Total
	(In thousands)			
Revenues				
Year Ended December 31, 2007	$ 1,591,820	$ 668,411	$ 30,958	$ 2,291,189
Year Ended December 31, 2006	1,413,957	571,920	12,865	1,998,742
Year Ended December 31, 2005	1,135,968	412,193	4,276	1,552,437
Long-lived assets				
December 31, 2007	$ 1,916,401	$ 677,594	$ 56,558	$ 2,650,553
December 31, 2006	1,519,199	560,182	14,659	2,094,040

As of December 31, 2007, revenues from BMO Bank of Montreal represented approximately 10.2% of revenue and are included in our Marketing Services segment.

22. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Unaudited quarterly results of operations for the years ended December 31, 2007 and 2006 are presented below.

	Quarter Ended			
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
	(In thousands, except per share amounts)			
Revenues	$ 549,158	$ 563,798	$ 575,525	$ 602,708
Operating expenses	440,577	472,893	509,048	524,396
Interest expense, net	15,827	19,012	17,810	16,874
Income before income taxes	92,754	71,893	48,667	61,438
Provision for income taxes	35,894	27,804	19,496	27,497
Net income	$ 56,860	$ 44,089	$ 29,171	$ 33,941
Net income per share—basic	$ 0.72	$ 0.56	$ 0.37	$ 0.43
Net income per share—diluted	$ 0.70	$ 0.55	$ 0.36	$ 0.42

	Quarter Ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
	(In thousands, except per share amounts)			
Revenues	$ 477,231	$ 490,447	$ 506,584	$ 524,480
Operating expenses	377,823	407,265	417,375	449,012
Interest expense, net	8,537	10,059	10,639	11,763
Income before income taxes	90,871	73,123	78,570	63,705
Provision for income taxes	34,450	28,328	29,790	24,096
Net income	$ 56,421	$ 44,795	$ 48,780	$ 39,609
Net income per share—basic	$ 0.70	$ 0.56	$ 0.61	$ 0.50
Net income per share—diluted	$ 0.69	$ 0.55	$ 0.60	$ 0.48

SIGNATURES

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

ALLIANCE DATA SYSTEMS CORPORATION

By: /s/ J. MICHAEL PARKS
J. Michael Parks
Chairman of the Board, Chief Executive Officer and Director

DATE: February 28, 2008

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

Name	Title	Date
/s/ J. MICHAEL PARKS **J. Michael Parks**	Chairman of the Board, Chief Executive Officer and Director	February 28, 2008
/s/ EDWARD J. HEFFERNAN **Edward J. Heffernan**	Executive Vice President and Chief Financial Officer	February 28, 2008
/s/ MICHAEL D. KUBIC **Michael D. Kubic**	Senior Vice President, Corporate Controller, and Chief Accounting Officer	February 28, 2008
/s/ BRUCE K. ANDERSON **Bruce K. Anderson**	Director	February 28, 2008
/s/ ROGER H. BALLOU **Roger H. Ballou**	Director	February 28, 2008
/s/ LAWRENCE M. BENVENISTE, PH.D. **Lawrence M. Benveniste, Ph.D.**	Director	February 28, 2008
/s/ D. KEITH COBB **D. Keith Cobb**	Director	February 28, 2008
/s/ E. LINN DRAPER, JR., PH.D. **E. Linn Draper, Jr., Ph.D.**	Director	February 28, 2008
/s/ KENNETH R. JENSEN **Kenneth R. Jensen**	Director	February 28, 2008
/s/ ROBERT A. MINICUCCI **Robert A. Minicucci**	Director	February 28, 2008

SCHEDULE II

ALLIANCE DATA SYSTEMS CORPORATION

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Write-Offs Net of Recoveries	Balance at End of Period
			(In thousands)		
Allowance for Doubtful Accounts—Trade receivables:					
Year Ended December 31, 2007	$ 5,325	$ 5,027	$ (64)	$ (822)	$ 9,466
Year Ended December 31, 2006	2,079	3,550	208	(512)	5,325
Year Ended December 31, 2005	1,458	799	40	(218)	2,079
Allowance for Doubtful Accounts—Seller's interest and credit card receivables:					
Year Ended December 31, 2007	$ 45,919	$ 35,812	$ (1,798)	$ (41,207)	$ 38,726
Year Ended December 31, 2006	38,415	33,777	4,802	(31,075)	45,919
Year Ended December 31, 2005	11,673	20,916	21,698	(15,872)	38,415

Exhibit 10.2

FOURTH AMENDMENT TO BUILD-TO-SUIT
NET LEASE

THIS FOURTH AMENDMENT TO BUILD-TO-SUIT NET LEASE (this "Amendment") is made and entered into as of September 3, 2004 by and between OPUS REAL ESTATE TEXAS IV LIMITED PARTNERSHIP, a Delaware limited partnership ("Landlord") and ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation ("Tenant").

RECITALS

A. Landlord and Tenant are parties to a certain Build-to-Suit Net Lease dated January 29, 1998 by and between Tenant and Opus South Corporation ("Opus South"), as amended by a certain First Amendment to Build-to-Suit Net Lease dated as of February 16, 2000, as further amended by a certain Second Amendment to Build-to-Suit Net Lease dated as of December 4, 2000, and as further amended by a certain Third Amendment to Build-to-Suit Net Lease dated as of September 10, 2001 (as amended, the "Lease"). Opus South assigned all of the landlord's interest in the Lease to Oaklawn Alliance, L.L.C. on December 3, 1998, and Oaklawn Alliance, L.L.C. further assigned all of the landlord's interest in the Lease to Landlord on November 15, 2001. Capitalized terms used herein but not otherwise defined shall have the meanings given them in the Lease.

B. Pursuant to Section 18(j) of the Lease, upon Tenant's approval of the Tenant's Expansion Cost Proposal, the terms of the Lease were to be automatically amended to provide, among other things, that the Tenant would have an option to terminate the Lease as to the Expansion Building only, at any time after the end of the seventh (7^{th}) anniversary of the Expansion Commencement Date upon certain terms and conditions (the "Termination Right"). Tenant approved the Tenant's Expansion Cost Proposal, and the Expansion Commencement Date was (i) for the First Floor and Second Floor of the Expansion Building, September 18, 2000, and (ii) for the Third Floor of the Expansion Building, October 16, 2000. Accordingly, the Lease has been automatically amended to include, among other things, the Termination Right.

C. Landlord and Tenant desire to amend the Lease to remove the Termination Right upon the terms and conditions set forth herein.

AGREEMENTS

NOW, THEREFORE in consideration of the premises and one dollar and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Recitals. The Recitals hereto are true and correct and are incorporated herein.

2. Removal of Termination Right. Subject to Section 3 below, Tenant hereby relinquishes the Termination Right, and Landlord and Tenant acknowledge that the Termination Right and all provisions in the Lease with respect to the Termination Right are of no further force and affect. Accordingly, the Lease is amended as follows:

(a) Section 180(1) of the Lease is hereby amended and restated in its entirety to read as follows:

"(I) The Term of this Lease will be extended so that it ends on the day before the tenth (10^{th}) anniversary of the date of Substantial Completion of the Expansion Building and the Parking Garage (the "Expansion Commencement Date"). The options to extend the Term of this Lease granted in Section 2.5 above will remain in full force and effect and may be exercised at the end of the Term of this Lease, as so extended, subject to the notice and other requirements of Section 2.5. Any exercise of the option to extend will apply to and include both the Original Building and the Expansion Building as well as the continuing rights related to the Parking Garage, unless the Original Building and the Expansion Building have been divided into two (2) leases, as contemplated by the terms of Article 19 below, in which case each tenant of each such building may exercise or not exercise the options to extend as to its own building."

(b) Section 19 of the Lease is hereby amended by restating in its entirety the lead-in paragraph prior to subsection (a) thereof to read as follows: "In the event pursuant to Section 11.3 of this Lease, this Lease is divided into two (2) leases, then this Lease will be automatically amended as follows:".

3. **Fee for Removal of Termination Right.** To induce Tenant to enter into this Amendment and relinquish the Termination Right, Landlord agrees to pay to Tenant the sum of $250,000.00 (the "Removal Payment") within a reasonable time following execution and delivery of this Amendment and the attached Acknowledgment of Guarantor. This Amendment shall not be effective until the Removal Payment has been paid by Landlord to Tenant. Tenant shall, at Landlord's request, acknowledge in writing receipt of the Removal Payment.

4. Effect of Amendment. Except as specifically set forth in this Amendment, all terms and conditions in the Lease shall remain in full force and effect and are incorporated herein by reference as fully set forth herein.

5. Successors and Assigns. This Amendment shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

6. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, .and any of the parties hereto may execute this Amendment by signing any such counterpart.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

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

LANDLORD:

OPUS REAL ESTATE TEXAS IV LIMITED PARTNERSHIP,
a Delaware limited partnership

By Opus Real Estate USA IV, L.L.C.
Its: General Partner

TENANT:

ADS ALLIANCE DATA SYSTEMS, INC.,
a Delaware corporation

By: Alan M. Utay
Its: Executive Vice President
General Counsel and Chief Administrative Officer

ACKNOWLEDGMENT OF GUARANTOR

Date: September 3, 2004

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the undersigned, the undersigned:

1. Consents and agrees to the Fourth Amendment to Build-to-Suit Net Lease dated as of September 3, 2004 (the "Amendment") by and between OPUS REAL ESTATE TEXAS IV LIMITED PARTNERSHIP, a Delaware limited partnership ("Landlord") and ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation ("Tenant"); and

2. Agrees that all of his Guaranty agreements and other agreements in favor of the Landlord (as successor in interest to Opus South Corporation), including without limitation a certain Lease Guaranty dated January 29, 1998, remain in full force and effect, enforceable in accordance with their terms and continue to guaranty all of the covenants, obligations, liabilities and duties of Tenant to Landlord under the Lease, as amended by the foregoing Amendment.

ALLIANCE DATA SYSTEMS CORPORATION,
a Delaware corporation

By: Alan M. Utay
Alan M. Utay
Its: Executive Vice President
General Counsel and Chief
Administrative Officer

Exhibit 10.4

AMENDMENT NO. 1

This Amendment No. 1 (this "Amendment'") is executed as of May 20 , 2006, between iSTAR HQ I, L.P., a Delaware limited partnership ("Landlord") and ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation ("Tenant"), for the purpose of amending the Lease Agreement between Landlord's predecessor-in-interest with respect to the Lease (defined below) and Tenant dated July 16,1997 (as amended by the letter agreement dated February 17, 2005, regarding the UPS system, the "Lease"). Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease.

RECITALS:

Pursuant to the terms of the Lease, Tenant is currently leasing the entire building, containing 61,750 rentable square feet of space, located at 17201 N. Waterview Parkway, Dallas, Texas 75252. Tenant desires to extend the lease term (the "Term") for a period of 120 months, and Landlord has agreed to such extension on the terms and conditions contained herein.

AGREEMENTS:

For valuable consideration, whose receipt and sufficiency are acknowledged, Landlord and Tenant agree as follows:

1. Extension of Term. The Term is hereby extended such that it expires at 5:00 p.m., Dallas, Texas, time, on July 31, 2017, rather than July 31, 2007, on the terms and conditions of the Lease, as modified hereby. Tenant shall have no further rights to extend or renew the Term, except as provided in Exhibit A hereto; accordingly, Exhibit C to the Lease is deleted.

2. Base Rent. Beginning August 1, 2007 (the "Renewal Commencement Date"), the monthly Base Rent shall be $58,662.50.

3. Condition of Premises. Tenant hereby accepts the Premises in their "AS-IS" condition, and, except as provided in Section 5 of this Amendment, Landlord shall have no obligation for any construction or finish-out allowance or providing to Tenant any other tenant inducement.

4. Tenant's Cancellation Right Provided no event of default exists when Tenant delivers the Cancellation Notice or on the Cancellation Date (as such terms are hereinafter defined), Tenant may cancel the Lease effective as of July 31, 2014 (the "Cancellation Date"), by delivering to Landlord at least 12 full calendar months before the Cancellation Date (a) written notice thereof (the "Cancellation Notice") and (b) the Cancellation Fee (defined below). The "Cancellation Fee" shall equal the sum of (1) $351,975 (equal to six months of Base Rent) and (2) the amount that would be outstanding on a hypothetical loan on the Cancellation Date assuming (A) an original principal balance equal to the Leasing Costs (defined below), (B) an interest rate of 8.5% per annum, (C) the loan is payable in 120 equal monthly installments of principal and interest, beginning on the Renewal Commencement Date, and (D) all payments were made before the Cancellation Date. The term "Leasing Costs" means all costs incurred by Landlord in leasing the space to Tenant under this Amendment (including leasing commissions,

Allowances other tenant inducements and attorneys' fees). As a condition to the effectiveness of Tenant's cancellation right, Tenant shall pay to Landlord prior to the Cancellation Date any past-due amounts then outstanding under the Lease. If Tenant fails timely to deliver the Cancellation Fee or the Cancellation Notice or is otherwise unable to exercise this cancellation option, then Tenant's right to cancel the Lease under this Section 4 shall expire; time is of the essence with respect thereto.

5. Refurbishment Allowance. Provided that no event of default has occurred prior to the disbursement thereof, Landlord shall provide to Tenant a refurbishment allowance not to exceed $30.00 per rentable square foot in the Premises and not to exceed a total of $1,852,500 (the "Refurbishment Allowance") not earlier than August 1, 2006 (the "Effective Date") to be applied toward the cost of alterations and improvements to the Premises. The Refurbishment Allowance may be used on any alterations or improvements to the Premises approved in writing by Landlord and completed no earlier than 60 days prior to the Effective Date. Such refurbishment work may include, but shall not be limited to, the following (it being understood that Tenant must submit plans and specifications for Landlord's review and approval for all such work, even if such items are listed below): (a) increase height of data center raised floor; (b) network hub re-cabling; (c) second power transformer; (d) generator; (e) automatic transfer switch (ATS); (f) PDU; (g) power re-cabling; (h) fire suppression system; (i) moisture detection system; and (j) engineering evaluation costs. The Refurbishment Allowance may be used on any alterations or improvements to the Premises approved in writing by Landlord and completed no earlier than 60 days prior to the Effective Date. Prior to commencing any such work, Tenant shall deliver to Landlord for Landlord's approval detailed plans and specifications depicting the refurbishment work Tenant intends to make to the Premises. Landlord's approval of Tenant's plans and specifications shall not be a representation or warranty of Landlord that such drawings are adequate for any use or comply with any law, but shall merely be the consent of Landlord thereto. After Tenant's plans and specifications have been approved, Tenant shall cause the work to be performed in accordance with the final version of the plans and specifications that have been approved in writing by Landlord and in compliance with all Laws. Landlord shall pay to Tenant (or, at Landlord's election, to Tenant's contractor) the Refurbishment Allowance in multiple disbursements (but not more than once in any calendar month) following the receipt by Landlord of the following items: (a) a request for payment signed by Tenant on the appropriate AIA form or another form approved by Landlord (indicating what work has been performed and that the work has been completed, and the name, address and taxpayer identification number of the requested payee), (b)final or partial lien waivers, as the case may be, from all persons performing work or supplying or fabricating materials for the work, fully executed, acknowledged and in recordable form, and (c) a certification from Tenant's architect that the work for which reimbursement has been requested has been finally completed, including (with respect to the last application for payment only) any punch-list items, on the appropriate AIA form or another form approved by Landlord, and, with respect to the disbursement of the last 10% of the Refurbishment Allowance: (1) evidence that the City of Dallas has given its final approval with respect to the refurbishment work, (2) delivery of the architectural "as-built" plan for the work as constructed, and (3) an estoppel certificate confirming such factual matters as Landlord may reasonably request (collectively, a "Completed Application for Payment"), Landlord shall pay the amount requested in the Completed Application for Payment within 30 days following Tenant's submission of the Completed Application for Payment. If, however, the Completed Application for Payment is incomplete or incorrect, Landlord's payment of such

request shall be deferred until 30 days following Landlord's receipt of the Completed Application for Payment. Notwithstanding anything to the contrary contained in this Section, Landlord shall not be obligated to make any disbursement of the Refurbishment Allowance during the pendency of any of the following: (A) Landlord has received written notice of any unpaid claims relating to any portion of the refurbishment work or materials in connection therewith,- other than claims which will be paid in full from such disbursement, (B) there is an unbonded lien outstanding against the Building or the Premises or Tenant's interest therein by reason of work done, or claimed to have been done, or materials supplied or specifically fabricated, claimed to have been supplied or specifically fabricated, to or for Tenant or the Premises, (C) the conditions to the advance of the Refurbishment Allowance are not satisfied, or (D) an event of default by Tenant exists. After the final completion of the Work and a reconciliation by Landlord of the Refurbishment Allowance and the total construction costs, Tenant may use any excess Refurbishment Allowance (up to a maximum of $10.00 per rentable square foot, in the Premises) toward the cost of Tenant's Rent obligations under the Lease following the Renewal Commencement Date by so notifying Landlord in writing of Tenant's election. Following Landlord's receipt of Tenant's election, Landlord shall apply such excess toward Tenant's Rent obligation first accruing after such date until such excess is fully exhausted. The entire Refurbishment Allowance must be used (that is, the refurbishment work must be fully complete and the final, complete Application for Payment received by Landlord) by no later than the 180th day following the Effective Date, or shall be deemed forfeited with no obligation by Landlord with respect thereto; time being of the essence with respect thereto. The entirety of any Rent credits to which Tenant may be entitled as provided above must be used by no later than the first anniversary of the Renewal Commencement Date, or shall be deemed forfeited with no further obligation by Landlord with respect thereto; time being of the essence with respect thereto. Landlord or its affiliate or agent may inspect any work performed, pursuant to this Section 5, make disbursements required to be made to the contractor, and act as a liaison between the contractor and Tenant and coordinate the relationship between any work performed pursuant to this Section 5, the Building and the Building's Systems.

6. Renewal Options. Tenant shall have the right to renew the Term on the terms and conditions of Exhibit A hereto.

7. Assignment and Subletting. Section 14 of the Lease is deleted in its entirety and replaced with the following:

14. Assignment and Subletting.

(a) Transfers. Except as provided in Section 14(h), Tenant shall not, without the prior written consent of Landlord, (1) assign, transfer, or encumber this Lease or any estate or interest herein, whether directly or by operation of law, (2) permit any other entity to become Tenant hereunder by merger, consolidation, or other reorganization, (3) permit the change in an ownership interest in Tenant which results in a change in the current control of Tenant, (4) sublet any portion of the Premises, (5) grant any license, concession, or other right of occupancy of any portion of the Premises to any entity, or (6) permit the use of the Premises by any parties other than Tenant (any of the events listed in Section 14(a)(1) through 14(a)(6) being a "Transfer").

(b) Consent Standards. Landlord shall not unreasonably withhold its consent to any assignment or subletting of the Premises, provided that the proposed transferee (1) is creditworthy, (2) has a good reputation in the business community, (3) will use the Premises for the Permitted Use (thus., excluding, without limitation, uses for credit processing and telemarketing) and will not use the Premises in any manner that would conflict with any exclusive use agreement or other similar agreement, (4) will not use the Premises, Building csr Project in a manner that would materially increase the pedestrian or vehicular traffic to the Premises, and (5) is not a governmental entity, or subdivision or agency thereof; otherwise, Landlord may withhold its consent in its sole discretion. Additionally, Landlord may withhold its consent in its sole discretion to any proposed Transfer if any Event of Default by Tenant then exists.

(c) Request for Consent. If Tenant requests Landlord's consent to a Transfer, then, at least 15 business days prior to the effective date of the proposed Transfer, Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name ;and address; reasonably satisfactory information about its business and business history; its proposed use of the Premises; banking, financial, and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's creditworthiness and character. Concurrently with Tenant's notice of any request for consent to a Transfer, Tenant shall pay to Landlord a fee of $1,000 to defray Landlord's expenses in reviewing such request, and Tenant shall also reimburse Landlord immediately upon request for its reasonable attorneys' fees incurred in connection with considering any request for consent to a Transfer.

(d) Conditions to Consent. If Landlord consents to a proposed Transfer, then the proposed transferee shall deliver to Landlord a written agreement whereby it expressly assumes Tenant's obligations hereunder; however, any transferee of less than all of the space in the Premises shall be liable only for obligations under this Lease that are properly allocable to the space subject to the Transfer for the period of the Transfer. No Transfer shall release Tenant from its obligations under this Lease, but rather Tenant and! its transferee shall be jointly and severally liable therefor. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers. If an Event of Default occurs while the Premises or any part thereof are subject to a Transfer, then Landlord, in addition to its other remedies, may collect directly from such transferee all rents becoming due to Tenant and apply such rents against Rent. Tenant authorizes its transferees to make payments of rent directly to Landlord upon receipt of notice from Landlord to do so following the occurrence of an Event of Default hereunder. Tenant shall pay for the cost of any demising walls or other improvements necessitated by a proposed subletting or assignment.

(e) Attornment by Subtenants. Each sublease by Tenant hereunder shall be subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate, and each subtenant by entering into a sublease is

deemed to have agreed that in the event of a permissible termination, re-entry or dispossession by Landlord under this Lease, Landlord may, at its option, take over all of the right, title and interest of Tenant, as sublandlord, under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease, except that Landlord shall not be (1) liable for any previous act or omission of Tenant under such sublease, (2) subject to any counterclaim, offset or defense that such subtenant might have against Tenant, (3) bound by any previous modification of such sublease not approved by Landlord in writing or by any rent or additional rent or advance rent which such subtenant might have paid for more than the current month to Tenant, and all such rent shall remain due and owing, notwithstanding such advance payment, (4) bound by any security or advance rental deposit made by such subtenant which is not delivered or paid over to Landlord and with respect to which such subtenant shall look solely to Tenant for refund or reimbursement, or (5) obligated to perform any work in the subleased space or to prepare it for occupancy, and in connection with such attornment, the subtenant shall execute and deliver to Landlord any instruments Landlord may reasonably request to evidence and confirm such attornment. Each subtenant or licensee of Tenant shall be deemed, automatically upon and as a condition of its occupying or using the Premises or any part thereof, to have agreed to be bound by the terms and conditions set forth in this Section 14(e). The provisions of this Section 14(e) shall be self-operative, and no further instrument shall be required to give effect to this provision.

(f) Cancellation. Landlord may, within 30 days after submission of Tenant's written request for Landlord's consent to an assignment or subletting, cancel this Lease as to the portion of the Premises proposed to be sublet or assigned as of the date the proposed Transfer is to be effective. If Landlord cancels this Lease as to any portion of the Premises, then this Lease shall cease for such portion of the Premises and Tenant shall pay to Landlord all Rent accrued through the cancellation date relating to the portion of the Premises covered by the proposed Transfer. Thereafter, Landlord may lease such portion of the Premises to the prospective transferee or to any other person so long as any such third party or its parents, subsidiaries or affiliates [excluding tenant's proposed transferee] are not in the substantially same business as Tenant or Tenant's parents, affiliates or subsidiaries, without liability to Tenant.

(g) Additional Compensation. Tenant shall pay to Landlord, immediately upon receipt thereof, the excess of (1) all compensation received by Tenant for a Transfer less the actual out-of-pocket costs reasonably incurred by Tenant with unaffiliated third parties (i.e., brokerage commissions and tenant finish work) in connection with such Transfer (such costs shall be amortized on a straight-line basis over the term of the Transfer in question) over (2) the Rent allocable to the portion of the Premises covered thereby.

(h) Permitted Transfers. Notwithstanding Section 14(a), Tenant may Transfer all or part of its interest in this Lease or all or part of the Premises (a "Permitted Transfer") to the following types of entities (a "Permitted Transferee") without the written consent of Landlord:

(1) an Affiliate of Tenant;

(2) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity in which or with which Tenant, or its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions governing merger and consolidation of business entities, so long as (A) Tenant's obligations hereunder are assumed by the Permitted Transferee; and (B) die Permitted Transferee satisfies the Net Worth/Credit Threshold as of the effective date of the Permitted Transfer; or

(3) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity acquiring all or substantially all of Tenant's assets if the Permitted Transferee satisfies the Net Worth/Credit Threshold as of the effective date of the Permitted Transfer.

Tenant shall promptly notify Landlord of any such Permitted Transfer. Tenant shall remain liable for the performance of all of the obligations of Tenant hereunder, or if Tenant no longer exists because of a merger, consolidation, or acquisition, the surviving or acquiring entity shall expressly assume in writing the obligations of Tenant hereunder. Additionally, the Permitted Transferee shall comply with all of the terms and conditions of this Lease, including the Permitted Use, and the use of the Premises by the Permitted Transferee may not violate any other agreements affecting the Premises. No later than 30 days after the effective date of any Permitted Transfer, Tenant agrees to furnish Landlord with (A) copies of the instrument effecting any of the foregoing Transfers, (B) documentation establishing Tenant's satisfaction of the requirements set forth above applicable to any such Transfer, and (C) evidence of insurance as required under this Lease with respect to the Permitted Transferee. The occurrence of a Permitted Transfer shall not waive Landlord's rights as to any subsequent Transfers. As used herein, the term "Net Worth/Credit Threshold" shall mean (i) the proposed Permitted Transferee has a shareholders' equity or net worth, as applicable, equal to or greater than $1,000,000,000 (in each case determined in accordance with generally accepted accounting principles consistently applied), and as evidenced by financial statements audited by a certified public accounting firm reasonably acceptable to Landlord, (ii) if the proposed Permitted Transferee has been assigned a Corporate Debt Rating, then such proposed Permitted Transferee's Corporate Debt Rating satisfies the Corporate Debt Rating Requirement, and (iii) "Corporate Debt Rating Requirement" shall mean an unsecured corporate debt rating of BBB or better (as determined by Standard & Poor's Corporation) and Baa2 or better (as determined by Moody's Investor Services).

8. Limitation of Liability. In addition to any other limitations of Landlord's liability as contained in. the Lease, as amended to date, the liability of Landlord (and its partners, shareholders or members) to Tenant (or any person or entity claiming by, through or under Tenant) for any default by Landlord under the terms of the Lease or any matter relating to or arising out of the occupancy or use of the Premises and/or other areas of the Building shall be limited to Tenant's actual direct, but not consequential, damages therefor and shall be recoverable only from the interest of Landlord in the Building, and Landlord (and its partners, shareholders or members) shall not be personally liable for any deficiency.

9. Notices; No Electronic Records. All notices and other communications given pursuant to the Lease shall be in writing and shall be (a) mailed by first class, United States mail, postage prepaid, certified, with return receipt requested, and addressed to the parties hereto at the address listed below, (b) hand delivered to the intended addressee, (c) sent by nationally recognized overnight courier, or (d) sent by facsimile transmission followed by a confirmatory letter. Notice sent by certified mail, postage prepaid, shall be effective three business days after being deposited in the United States mail; all other notices shall be effective upon delivery to the address of the addressee (even if such addressee refuses delivery thereof). Landlord and Tenant hereby agree not to conduct the transactions or communications contemplated by the Lease, as amended hereby, by electronic means, except by facsimile transmission as specifically set forth in this Section 9; nor shall the use of the phrase "in writing" or the word "written" be construed to include electronic communications except by facsimile transmissions as specifically set forth in this Section 9. The parties hereto may change their addresses by giving notice thereof to the other in conformity with this provision. The addresses for notice set forth below shall supersede and replace any addresses for notice set forth in the Lease.

Landlord:	iStar HQ I, LP. 6565"North MacArthur Boulevard Suite 410 Irving, Texas 75039 Attention: Elizabeth Smith, Senior Vice President Telecopy: 972.501.0078
with a copy to:	iStar HQ I, L.P. 1114 Avenue of the Americas 27th Floor New York, New York 10036 Attention: General Counsel Telecopy: 212.930.9494
Tenant:	ADS Alliance Data Systems, Inc. 17655 Waterview Parkway Dallas, Texas 75252 Attention: General Counsel Telecopy No.: 972-348-5150

10. Brokerage. Landlord and Tenant each warrant to the other that it has not dealt with any broker or agent in connection with the negotiation or execution of this Amendment

other than PRG Realty, Inc., whose commission shall be paid by Landlord pursuant to a separate written agreement. Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any other broker or agent claiming the same by, through, or under the indemnifying party.

11. Determination of Charges. Landlord and Tenant agree that each provision of the Lease (as amended by this Amendment) for determining charges and amounts payable by Tenant (including provisions regarding additional rent) is commercially reasonable and, as to each such charge or amount, constitutes a statement of the amount of the charge or a method by which the charge is to be computed for purposes of Section 93.012 of the Texas Property Code.

12. Prohibited Persons and Transactions. Each of Landlord and Tenant hereby represents and warrants to the other that it is hot a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Assets Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and will not assign or otherwise transfer the Lease to such persons or entities.

13. Ratification. Tenant hereby ratifies and confirms its obligations under the Lease, and represents and warrants to Landlord that it has no defenses thereto. Additionally, Tenant further confirms and ratifies that, as of the date hereof, (a) the Lease is and remains in good standing and in full force and effect, (b) Tenant has no claims, counterclaims, set-offs or defenses against Landlord arising out of the Lease or in any way relating thereto or arising out of any other transaction between landlord and Tenant, and (c) except as expressly provided for in this Amendment, all tenant finish-work allowances provided to Tenant under the Lease or otherwise, if any, have been paid in full by Landlord to Tenant, and Landlord has no further obligations with respect thereto.

14. Binding Effect; Governing Law. Except as modified hereby, the Lease shall remain in full effect and this Amendment shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall prevail. This Amendment shall be governed by the laws of the State in which the Premises are located.

15. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall constitute an original, but all of which shall constitute one document.

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Executed as of the date first written above.

LANDLORD:

iSTAR HQ I, L.P.,
a Delaware limited partnership

By: iStar HQI GenPar, Inc.,
a Delaware corporation, its general partner

By: ILLEGIBLE
Name:
Title:

TENANT:

ADS ALLIANCE DATA SYSTEMS, INC.,
a Delaware corporation

By: ILLEGIBLE
Name:
Title

EXHIBIT A

RENEWAL OPTION

Provided no event of default exists and Tenant is occupying the entire Premises at the time of such election, Tenant may renew the Lease for one additional period of five years, by delivering written notice of the exercise thereof to Landlord not earlier than 15 months nor later than 12 months before the expiration of the Term. The Base Rent payable for each month during the extended Term shall be the prevailing rental rate (defined below), at the commencement of the extended Term. , As used herein, the "Prevailing Rental Rate" shall mean the prevailing rental rate that a willing tenant would pay, and a willing landlord would accept (both having reasonable knowledge of the relevant factors), for a renewal of a lease of space that is of equivalent quality, size, utility and location as the space in question and that is located in a comparable building within the Dallas, Texas submarket, taking into consideration (1) the location, quality and age of the Building; (2) the use and size of the space in question; (3) the location of the space in question; (4) the amount of any tenant improvement allowances, abatement of rental, or other tenant inducements for the space in question, if any; (5) the fact that a lease may be a "triple net", "base year" or "gross" lease for the space in question; (6) the amount of any brokerage commissions; (7) the credit standing of the tenant; (8) the length of the term for the space in question; (9) the fact that Tenant will not incur any moving or relocation expenses, and the fact that Tenant will not incur any loss of business while relocating to another space; and (10) the tenant improvements located in the space in question. Within 30 days after receipt of Tenant's notice to renew, Landlord shall deliver to Tenant written notice of the Prevailing Rental Rate and shall advise Tenant of the required adjustment to Base Rent, if any, and the other terms and conditions offered. Tenant shall, within ten days after receipt of Landlord's notice, notify Landlord in writing whether Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate. If Tenant timely notifies Landlord that Tenant accepts Landlord's determination of the Prevailing Rental Rate, then, on or before the commencement date of the extended Term, Landlord and Tenant shall execute an amendment to the Lease extending the Term on the same terms provided in the Lease, except as follows:

(a) Base Rent shall be adjusted to the Prevailing Rental Rate;

(b) Tenant shall have no further renewal option unless expressly granted by Landlord in writing; and

(c) Landlord shall lease to Tenant the Premises in their then-current condition, and Landlord shall not provide to Tenant any allowances (e.g., moving allowance, construction allowance, and the like) or other tenant inducements.

If Tenant rejects Landlord's determination of the Prevailing Rental Rate and timely notifies Landlord thereof, Tenant may, in its notice to Landlord, require that the determination of the Prevailing Rental Rate be made by brokers (and if Tenant makes such election, Tenant shall be deemed to have irrevocably renewed the Term, subject only to the determination of the Prevailing Rental Rate as provided below). In such event, within ten days thereafter, each party shall select a qualified commercial real estate broker with at least ten years experience in leasing property and buildings in the city or submarket in which the Premises are located. The two brokers shall give their opinion of prevailing rental rates within 20 days after their retention. In

no event, however, shall the Base Rent in the renewal term be less than the then current Base Rent rate per rentable square foot in effect hereunder. In the event the opinions of the two brokers differ and, after good faith efforts over the succeeding 20-day period, they cannot mutually agree, the brokers shall immediately and jointly appoint a third broker with the qualifications specified above. This third broker shall immediately (within five days) choose either the determination of Landlord's broker or Tenant's broker and such choice of this third broker shall be final and binding on Landlord and Tenant. Each party shall pay its own costs for its real estate broker. Following the determination of the Prevailing Rental Rate by the brokers, the parties shall equally share the costs of any third broker. The parties shall immediately execute an amendment as set forth above. If Tenant fails to timely notify Landlord in writing that Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate within the ten day period specified in the first paragraph of this Exhibit, time being of the essence with respect thereto, Tenant's rights under this Exhibit shall terminate and Tenant shall have no right to renew the Lease.

Tenant's rights under this Exhibit shall terminate if (1) the Lease or Tenant's right to possession of the Premises is terminated, (2) Tenant assigns any of its interest in the Lease or sublets any portion of the Premises, or (3) Tenant fails to timely exercise its option under this Exhibit, time being of the essence with respect to Tenant's exercise thereof.

Exhibit 10.6

FIFTH AMENDMENT TO OFFICE LEASE

This Fifth Amendment to Office Lease ("Amendment") is made as of the 29th day of March, 2004 by and between OFFICE CITY, INC., an Ohio corporation ("Landlord") with its principal office at 191 West Nationwide Boulevard, Suite 200, Columbus, Ohio 43215, and ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation ("Tenant"), d/b/a ALLIANCE DATA SYSTEMS, with its principal office at 4590 East Broad Street, Columbus, Ohio 43213.

WITNESSETH:

WHEREAS, Landlord and World Financial Network, Inc. previously entered into that certain Office Lease dated December 24, 1986, as modified by Amendment to Lease dated January 19, 1987, Amendment to Office Lease dated January 19, 1987, Assignment of Lease effective January 20, 1987, Second Amendment to Office Lease dated May 11, 1988, Third Amendment to Office Lease dated August 4, 1989, Lease Extension dated July 28, 1994, Assignment and Assumption Agreement effective February 1, 1998, Modification of Lease dated August 18,1999 and Letter Agreement (Addendum to Modification of Lease) dated March 6, 2001 (collectively, the "Lease"), for those certain premises consisting of approximately 103,161 square feet within the Airport Commerce Park (the "Shopping Center") located in the City of Whitehall, County of Franklin and State of Ohio, and further known as 4590 East Broad Street,. Columbus, Ohio 43213 (the "premises");

WHEREAS, World Financial Network, Inc. assigned its interest under the Lease to The Limited Credit Service, Inc. by Assignment of Lease effective January 20, 1987 and was released from all liability thereunder; and, The Limited Credit Services reorganized as a national bank and assigned the Lease to World Financial Network National Bank effective May 1, 1989; and by virtue of the Assignment and Assumption Agreement effective February 1,1998, World Financial Network National Bank assigned its interest under the Lease to Tenant;

WHEREAS, The Limited, Inc. guarantees the performance of Tenant's obligations under the Lease pursuant to a Guaranty (undated) executed in connection with the Lease;

WHEREAS, Tenant desires to construct an addition to the exterior of the Premises as set forth herein; and.

WHEREAS, Landlord and Tenant mutually intend and desire to modify the Lease on and subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, -the receipt and legal sufficiency of which is hereby acknowledged, Landlord and Tenant hereby agree as follows effective upon full execution of this Amendment;

1. Landlord and Tenant hereby agree to extend the term of the Lease for an additional period of six (6) years from its current expiration date of January 31, 2008 so that the same shall expire on January 31, 2014.

2. Effective upon the date that Landlord completes Phase I of Landlord's Work as set forth herein, Tenant's Rent, as set forth under Section 4.A. of the Lease, shall be increased to Four Hundred Ninety Two Thousand Seventy-Seven and 97/100 ($492,077.97) per annum, payable in advance, in equal monthly installments of Forty One Thousand Six and 50/100 Dollars ($41,006.50) on or before the first day of each month through January 31, 2009. Commencing February 1, 2009 and continuing through the expiration of the term of the Lease, Tenant shall pay as Rent to Landlord, the sum of Five Hundred Thirty Six Thousand Four Hundred Thirty-Seven and 20/100 Dollars ($536,437.20) per annum, payable in advance, in equal monthly installments of Forty Four Thousand Seven Hundred Three and 10/100 Dollars ($44,703,10) on or before the first day of each month.

3. Landlord's Work. Landlord agrees to perform the following work to the Premises, in phases, as Follows:

A. Phase I. Landlord shall replace the roof system covering approximately 35,000 square feet of area over the west portion of the premises. The roof replacement system shall entail installation of a mechanically affixed.045 TPQ membrane with heat-welded seams over one and one-half inches (1-1/2") of isocynurate insulation. Additionally, Landlord shall perform remedial work on the building front canopy as necessary to insure a water tight condition. Landlord shall use commercially reasonably efforts to complete such roof replacement and remedial work on the front canopy during the Fall of 2003.

B. Phase II. During the Summer of 2004, after Tenant has finalized structural modifications, if any, to the building front canopy, Landlord shall complete a comprehensive roof restoration project for the building front canopy. In addition, Landlord shall conduct a thorough inspection of the remaining portion of the roof of the premises not replaced in Phase I and shall complete a comprehensive repair project that addresses all detail deficiencies noted.

C. Phase III, Provided Tenant does not elect to exercise its right to terminate the Lease as permitted herein, during the Summer of 2008, Landlord shall install a single ply roof membrane over the remaining non-replaced portion of the roof.

4. Tenant's Alterations to the Premises.

A. Tenant's Exterior Patio Work, Tenant shall be permitted, at Tenant's sole cost and expense, in accordance with plans and specifications submitted to and approved by Landlord and in accordance with Section 7 of the Lease, to install a forty foot (40') by forty-eight foot (48') exterior patio at the northeast comer of the premises. Said patio area will be comprised of a 4" concrete slab enclosed inside a seven foot (7') high privacy fence with a partial awning, that would house a smoker's enclosure / bus stop and seating, with access through a new door in the east side of the premises, plus gates on the southeast and northwest corners of the patio. A preliminary sketch of the patio area is attached hereto as Exhibit "A". No materials installed by Tenant shall contain asbestos, PCB's, or any other substance which is considered toxic or hazardous under any federal, state, or local building, environmental, health or safety law, code, ordinance or regulation. Tenant shall obtain, at Tenant's sole cost and expense, all permits, certificates and approvals that may be necessary for the performance of Tenant's Exterior Patio Work. Copies of all such documents shall be delivered to Landlord prior to Tenant commencing Tenant's Exterior Patio Work.

For purposes of this Lease, the exterior patio shall be deemed to be part of the Premises. However, notwithstanding anything contained in the Lease to the contrary, Tenant shall be solely responsible for any and all maintenance and repair work, structural or otherwise, required to be performed on the exterior patio.

Upon the termination or expiration of this Lease, or prior to such termination or expiration of the Lease upon thirty (30) days prior written notice form Landlord, Tenant shall, at its sole cost and expense, remove such patio installation and repair any damage caused thereby, and shall restore the area to the condition it was in prior to the patio installation.

B. Tenant's Front Facade Work. Tenant shall upgrade the front facade of the Premises in accordance with plans and specifications submitted to and approved by Landlord, and in accordance with the provisions of Section 7 of the Lease. No materials installed by Tenant shall contain asbestos, PCB's, or any other substance which is considered toxic or hazardous under any federal, state, or local building, environmental, health or safety law, code, ordinance or regulation. Tenant shall obtain, at Tenant's sole cost and expense, all permits, certificates and approvals that may be necessary for the performance of Tenant's Front Facade Work. Copies of all such documents shall be delivered to Landlord prior to Tenant commencing Tenant's Front Facade Work.

5. Construction Allowance. Upon the completion of Tenant's Front Facade Work, provided Tenant is not in default of the terms and provisions of this Lease, has completed such Front Facade Work in accordance with the applicable building and zoning codes, ordinances, rules and regulations, and the plans and specifications approved by Landlord, and has delivered to Landlord a complete release and waivers of lien executed by all contractors, and if requested by Landlord, releases and waivers of Ken executed by every subcontractor supplying labor and/or materials in excess of Ten Thousand Dollars ($10,000.00) for Tenant's Work, Landlord shall, within thirty (30) days thereafter, pay to Tenant, as Landlord's contribution to Tenant's Work, the sum of Two Hundred Fifty Thousand and 00/100 Dollars ($250,000.00) (hereinafter referred to as the "Construction Allowance").

The provisions of this Paragraph 5 shall operate as and be deemed to be a condition precedent to Tenant's right to receive and be paid its Construction Allowance. Tenant agrees that no part or portion of said Construction Allowance shall vest in Tenant, nor shall Tenant see, assign, encumber or create a security interest in such Construction Allowance prior to full and complete compliance with all of the provisions of this Paragraph 5.

Any funds designated in this Lease as a Construction Allowance either by way of a cash payment, rent reduction, rent credit, rent abatement or the like shall be paid by Landlord to Tenant as set forth in this Lease, and shall be used exclusively for the purpose of the construction of Tenant's Work. In accordance with Section 110 of the internal Revenue Code of 1986, as amended, (the "Code") and regulations thereunder, the Construction Allowance provided herein is for the purpose of constructing or improving qualified long-term real property (within the meaning of Section 110 of the Code) for use in the Tenant's trade or business at the Premises.

6. Tenant's Right to Terminate Lease. Provided Tenant is not in default of the Lease, Tenant shall have the right to terminate the Lease effective January 31, 2008 ("Effective Date of Termination") upon at least -ninety (90) day's prior written notice to Landlord, which notice shall be given to Landlord no later than November 1, 2007, and payment to Landlord of a termination fee in the amount of One Hundred Seventy Thousand and 00/100 Dollars ($170,000.00) on or before the Effective Date of Termination. On or before the Effective Date of Termination, Tenant shall vacate the premises in accordance with the terms and provisions of this Lease, as amended hereby, as if such date were the natural expiration date of the Lease, with all rents paid in full. Landlord and Tenant shall thereafter be relieved of any liability or obligation that first accrues on or after the Effective Date of Termination.

7. Notices:

Landlord's notice address and rent payment address shall be as follows:

Office City, Inc.
191 West Nationwide Boulevard
Suite 200
Columbus, Ohio 43215

Tenant's address for notices shall be as follows:

ADS Alliance Data Systems, Inc.
Attn: Facility Services Manager 800
Tech Center Drive Gahanna, Ohio
43230

With a copy to:

ADS Alliance Data Systems, Inc.
Attn: General Counsel
17655 Waterview Parkway
Dallas, Texas 75252

8. Landlord agrees that as of February 1, 2004 Landlord shall fully release and forever discharge The Limited, Inc. as Guarantor under the Lease, except as to obligations of Tenant which arose thereunder prior to February 1, 2004.

9. Landlord and Tenant each mutually covenants, represents and warrants to the other that it has had no dealings or communications with any broker or agent in connection with this Amendment and each covenants and agrees to pay, hold harmless and indemnify the other from and against any and all cost, expense (including reasonable attorneys' fees) or liability for any compensation, commission or charges to any broker or agent claiming through the indemnifying party with respect hereto.

10. Landlord and Tenant represents and warrants to the other that it has taken all corporate, partnership or other action necessary to execute and deliver this Amendment, and that this Amendment constitutes the legally binding obligation of said party enforceable in accordance with its terms. Each party shall save and hold the other harmless from any claims, or damages including reasonable attorneys' fees arising from said party's misrepresentation of its authority to enter into and execute this Amendment.

11. Capitalized terms not defined herein shall have the definitions given such terms in the Lease.

12. As modified and amended hereby, Landlord and Tenant each ratifies and affirms the terms of the Lease.

Remainder of page intentionally left blank.

WHEREFOR, Landlord and Tenant have caused this Amendment to be signed upon the day and year first above written.

LANDLORD:

OFFICE CITY, INC.,
an Ohio corporation

By: Frank S. Benson III – President

By: Don M Casto III - Secretary

TENANT:

ADS ALLIANCE DATA SYSTEMS, INC.,
a Delaware corporation

By: Paul D. Fabara
Name: Paul D. Fabara
Title: SVP, Operations

LANDLORD'S ACKNOWLEDGMENT

STATE OF OHIO

COUNTY OF FRANKLIN

On this 29th day of March, 2004, before me a Notary Public, in and for said County, personally came Frank S. Benson III, who being by me duly sworn, did depose and say that he is the President of OFFICE CITY, INC., the corporation described in and which executed this instrument as Landlord, and that he executed this instrument on behalf of and in the name of such corporation.

Notary Public: Rhonda Ann Carver

STATE OF OHIO

COUNTY OF FRANKLIN

On this 29th day of March, 2004, before me a Notary Public, in and for said County, personally came Don M. Casto III, who being by me duly sworn, did depose and say that he is the Secretary of OFFICE CITY, INC., the corporation described in and which executed this instrument as Landlord, and that he executed this instrument on behalf of and in the name of such corporation.

Notary Public: Rhonda Ann Carver

TENANT'S ACKNOWLEDGMENT

STATE OF OHIO

COUNTY OF FRANKLIN

On this 6th day of February, 2004, before me, a Notary Public, in and for said County, personally came Paul D Fabara, who, being by me duly sworn, did depose and say that he is the Senior V.P. of ADS Alliance Data Systems, Inc., the corporation described in, and which executed this instrument as Tenant; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public: Mary Brewer

EXHIBIT "A"

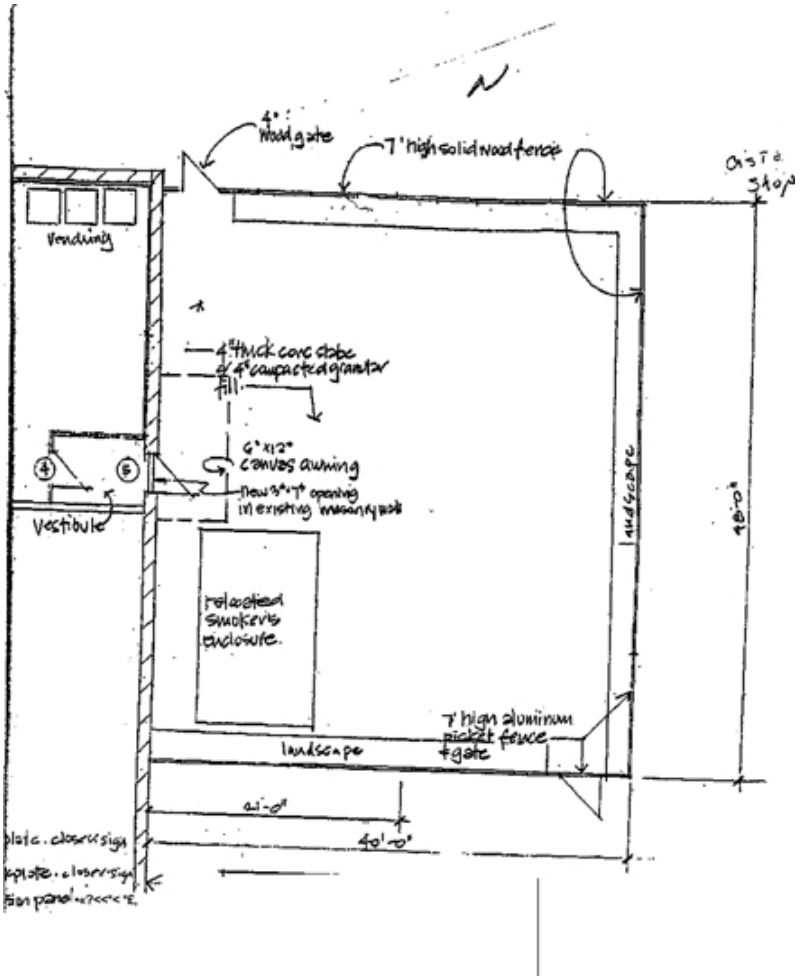

4' wood gate
7' high solid wood fence
Vending
4" thick conc slabe
4" compacted granular fill
6'x12' canvas awning
new 3'-7" opening in existing masonry wall
Vestibule
relocated smokers enclosure
landscape
7' high aluminum picket fence + gate
landscape
40'-0"
plate. closer sign

Exhibit 10.10

SIXTH AMENDMENT TO LEASE

THIS SIXTH AMENDMENT TO LEASE (hereinafter referred to as the "Sixth Amendment") is made effective as of this 27th day of January, 2006, by and between **PARTNERS AT BROOKSEDGE,** an Ohio general partnership (hereinafter referred to as "Lessor"), **ADS ALLIANCE DATA SYSTEMS, INC.,** a Delaware corporation (hereinafter referred to as "Lessee") and **ALLIANCE DATA SYSTEMS CORPORATION,** a Delaware corporation (hereinafter referred to a "Guarantor").

RECITALS

A. Continental Acquisitions, Inc., as Lessor, and World Financial Network National Bank (U.S.) (hereinafter referred to as "WFN"), as Lessee, entered into a Lease dated July 2, 1990 for certain space located at 220 West Schrock Road, Westerville, Ohio 43081, and being part of "Brooksedge Corporate Center".

B. The interest of Continental Acquisitions, Inc. as "Lessor" under the Lease was subsequently assigned on August 28, 1990 to Lessor.

C. The Lease was amended by that certain First Amendment of Lease between WFN and Lessor dated September 11, 1990, that certain Second Amendment of Lease between WFN and Lessor dated November 16, 1990, that certain Third Amendment of Lease between WFN and Lessor dated February 18, 1991, that certain Fourth Amendment to Lease dated June 1,2000, and that certain Fifth Amendment to Lease dated June 30, 2001.

D. The interest of WFN as "Lessee" under the Lease was subsequently assigned on February 1, 1998 to Lessee. The Lease as amended and assigned is hereinafter collectively referred to as the "Lease".

E. Guarantor has guaranteed the obligations of the Lessee under the Lease pursuant to a certain "Guarantee" dated June 1, 2000 (hereinafter referred to a "Guarantee").

F. The current term of the Lease expires on May 31, 2006, and Lessee has one (1) option to renew the Lease for an additional term of five (5) years. Lessee wishes to exercise its renewal option under the Lease on the terms set forth herein.

PROVISIONS

1. **Incorporation of Recitals.** The Recitals portion of this Sixth Amendment is hereby incorporated by this reference to the same extent and as fully as though it were here rewritten in its entirety. All capitalized, terms not otherwise defined herein shall have the same meaning set forth in the Lease.

2. **Exercise of Renewal.** Lessee hereby exercises its remaining option to renew the term of the Lease for an additional term of five (5) years on the terms contained in the Lease. Accordingly, the term of the Lease is hereby extended from its current expiration date of May 31, 2006 to and including May 31, 2011. Lessee shall have no further right or option to extend the term of the Lease.

3. **Renewal Rent.** Lessee shall pay Fixed Minimum Rent during the extended term under paragraph 2 above in the following annual and monthly amounts:

Period	Annual Amount	Monthly Installment	Amount per s.f.
June 1, 2006 through and including May 31, 2011	$ 921,312.00	$76,776.00	$ 9.14

4. **Lessor's Work,** in consideration of the extension of the term of the Lease under paragraph 2 above, Lessor shall perform certain work at the Premises as described on **Exhibit** A attached hereto and made a part hereof (hereinabove and hereinafter referred to as the "Lessor's Work").

Lessor shall procure all necessary licenses, permits, approvals and authorizations for Lessor's Work, and shall promptly and diligently construct Lessor's Work in a good and workmanlike manner.

Lessee shall reasonably cooperate with Lessor in the scheduling of contractors and subcontractors to complete Lessor's Work and will make the Premises available as reasonably required to allow the timely prosecution and completion of Lessor's Work. Work that may disrupt daily operations or present safety concerns must be performed after 11:00 p.m. Such cooperation will include, without limitation, the coordination of temporary shut down of HVAC and other building systems to be replaced or repaired, restrictions on parking areas to be repaved or repaired, and the relocation of furniture, equipment and other of Tenant's personal property for interior work within the Premises.

Lessor shall use its reasonable efforts to achieve Substantial Completion (as hereinafter defined) of Lessor's Work on or before June 1,2006 (hereinabove and hereinafter referred to as the "Completion Date"); provided that if Tenant unreasonably interferes with the completion of Lessor's Work, the Completion Date shall be extended one (1) day for each day of unreasonable interference. Further, if Lessor is delayed, hindered or prevented from the performance of Lessor's Work by reason of strikes, lock-outs labor troubles, inability or procure materials, failure of power, inadequate power, restrictive governmental laws or regulations, severe weather conditions, disaster, riots, insurrection, war, or other reason of a like nature not the fault of Lessor in performing Lessor's Work, the Completion Date shall be extended for the period of the delay.

As used herein, "Substantial Completion" means the date (x) when construction of Lessor's Work is sufficiently complete so that Lessee can utilize the improvements to be constructed as part of lessor's Work, and (y) any certificate of occupancy (temporary or final) required for Lessor's Work is issued for the Premises. "Substantial Completion" shall not require the completion of punchlist items or other non-essential items which according to customary constructions practices are deferred until more suitable weather or other conditions permit their installation.

Lessor shall pay the cost of construction for Lessor's. Work, including, without limitation, all engineering and design fees and necessary licenses, permits, approvals and authorizations, up to a maximum of $2,200,000.00. If at any time the cost of construction of Lessor's Work as described above will exceed $2,200,000.00 (including, without [imitation, cost increases because of any change orders thereto approved in writing by Lessor and Lessee), Lessee shall pay to Lessor the amount of such excess within thirty (30) days after invoicing by Lessor.

Except as provided above in this Lease, Lessee accepts the Premises "as is", and Lessor shall not have any obligation to construct any improvements, alterations or additions to the Premises other than Lessor's Work. If Lessee should request Lessor to perform any additional work to the Premises either before or after the date of this Sixth Amendment, all such work done by Lessor, at Lessee's request shall be at Lessee's expense and shall be paid for by Lessee depositing with Lessor, prior to the commencement of such other work, a sum equal to the cost for such work, as reasonably •. estimated by Lessor; and upon completion thereof, appropriate adjustment shall be made between Lessor and Lessee based upon the actual cost of the work.

5. **Confidentiality.** Lessor and its employees and or designated third party agents shall not during the Term, or at any time after the termination or expiration of the Term, directly or indirectly use, or disclose to any person or entity any information learned about Lessee or Lessee's affiliated entities, including, without limitation, the names of any Lessee's or its affiliate's customers, financial data and marketing information, pricing data or any other information concerning the business of Lessee or its affiliates or the manner of operation, plans, formulae, compositions, systems, techniques, inventions, machines, computer programs, security systems or procedures, production, marketing, or merchandising methods, processes, systems of Lessee or its affiliates or other data of any kind, nature, or description relating to Lessee or its affiliates. Lessor will require each of its employees and designated third party's having access to Lessee' facilities to sign a nondisclosure agreement that is at least as restrictive as that attached as Exhibit B.

6. **No Other Changes: Ratification of Lease and Guarantee.** This Sixth Amendment shall only modify or amend the Lease to the extent provided herein and all other conditions, covenants and agreements in the Lease shall remain in full force and effect. Subject to the terms of this Sixth Amendment, Lessor and Lessee do hereby ratify and confirm in their entirety the conditions, covenants and agreements contained in the Lease, and Guarantor hereby ratifies and confirms in their entirety the conditions, covenants and agreements contained in the Guarantee. If there is a conflict between the provisions contained in this Sixth Amendment and the provisions of the Lease, this Sixth Amendment shall control.

7. **Miscellaneous.** The governing law provisions set forth in the Lease shall also be applicable to this Sixth Amendment. The captions at the beginning of the several paragraphs of this Sixth Amendment are for the convenience of the reader and shall be ignored in construing this Sixth Amendment. This Sixth Amendment may be executed in several counterparts and each of such counterparts shall be deemed to be an original hereof.

IN **WITNESS WHEREOF,** Lessor, Lessee and Guarantor have executed this Sixth Amendment effective as of the date first set forth above.

PARTNERS AT BROOKSEDGE,
an Ohio general partnership ("Lessor")

By: Franklin E. Kass, Managing General Partner

ADS ALLIANCE DATA SYSTEMS, INC.,
a Delaware corporation ("Lessee")

By: Paul D. Fabara, Chief Operating Officer, Retail Services

ALLIANCE DATA SYSTEMS CORPORATION,
a Delaware corporation ("Guarantor")

By: Robert P Armiak, Vice President/Treasurer

STATE OF OHIO
COUNTY OF FRANKLIN

The foregoing instrument was acknowledged before me this 27th day of January, 2006 by Franklin E. Kass, Managing General Partner of PARTNERS AT BROOKSEDGE, an Ohio general partnership, on behalf of the partnership.

Notary Public: Nannette C. Buel

STATE OF OHIO
COUNTY OF FRANKLIN

The foregoing instrument was acknowledged before me this 24th day of February, 2006 by Paul D. Fabara, Chief Operating Officer, Retail Services of ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation, on behalf of the corporation.

Notary Public: Katherine Fielhauer

STATE OF OHIO
COUNTY OF FRANKLIN

The foregoing instrument was acknowledged before me this 7th day of March, 2006 by Bob Armiak, Treasurer ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation, on behalf of the corporation.

Notary Public: Melissa M. Nelson

EXHIBIT A
Scope of Work

The following is the scope of work to be performed by Partners at Brooksedge with the assistance of Alliance Data Systems for their facility at 220 W. Schrock Rd., Westerville, OH.

1. Complete renovation of the rear patio area at the CAD 2 location. The existing smoking shack and concrete pad below it will remain; all other exterior items area subject to renovation or removal. The scope of the work is as follows:

   Construct a new patio break area with new canopy, concrete surfaces, and fencing as described below:

   - Remove all existing patio concrete. Repair base and subbase at existing sanitary sewer manhole and as needed.
   - Remove existing canopy entirely.
   - Construct a new canopy structure approximately 16’ x 15’ out in front of the existing doors. This will be a self-supporting Pre-Engineered Building single sloped lean-to flashed to the exterior wall. Includes four (4) columns and foundations, with metal panel— roof, gabled ends, and fully covered soffit.
   - Construct new 4” PCC patio, approximately 1,575 s.f.
   - Erect a security fence using 6’vinyl privacy fence and 6’metal picket fence around the site. Material will match that used at CAD 1 on their east side patio. Includes two (2) man gates and one (1)10’ vehicle gate adjacent the primary electrical switch in the yard.
   - Install an aluminum storefront vestibule on a new grade beam foundation. Vestibule to be 12’ wide by 8’ deep with two (2) single doors to match up to the existing building doors. Vestibule to extend up to the closed soffit of the canopy. No power operated doors are included.
   - Install an electrical radiant heater in the vestibule.
   - Install new lighting in the vestibule and below the canopy.
   - Install hard surface from the man gates to the parking lot. Material to be determined.
   - Removed/ relocate trees as needed for access to the man gates, drive gate (for power company), and for construction access. Maintain as many on-site as room will allow.
   - Landscaping along the fence line, and grass restoration as needed.
   - Area inside fence to include substantial grass areas for use with ADS provided picnic tables.
   - Painting, caulking, flashing, etc. as required.
   - Pre-construction, design, and permitting with the City of Westerville.

2. Control Room: Expand the existing control room by incorporating the office space which abuts to the East and south of the existing control room. Remove approximately 1000 s.f. of existing partition wall. Saw cut, remove and patch concrete floor for the electrical service . extension. Remove 1,568 sf of existing carpet. Remove and replace existing ceiling tile with 2x4 regular tile. Install new control room base cabinetry, which is to match that which was used at the Reynoldsburg facility. Included in the cabinetry package are soffit cabinets to allow for installation of large monitors. Remove existing exterior wall and install two 5’ x 5’ barrow lights which will have tinted glass. Patch drywall walls as necessary and paint all interior walls and exterior wall at barrow lights. Security controls will be installed on existing door. Lessor and Lessee to agree on final design, room is to have a high end control room look .

   The new ceiling will incorporate new sprinkler layout, relocation of existing lights and power to ‘new monitors. Build new First Aid room location to be agreed upon.

3. Woman’s Restroom: Remove approximately 80 LF of existing counter top along with associated back splash, sinks, faucets and soap dispensers. Replace what was removed with new Corian Solid Surface counter tops with integral bowls. New faucets and soap dispensers are to be actuated automatically. Interior perimeter walls are to be painted.

4. Cafe: Remove existing serving line cabinetry and replace with new.

5. Carpet: Install all new Lee's Work Force Carpet Tile includes the following:
    1. Lift of modular systems
    2. Remove and recycle carpet tile and dispose of vinyl base.
    3. Minor floor prep to include skim coat and sea! floor.
    4. Furnish and install new carpet tile and 4" vinyl base.
6. Clean all existing duct work.
7. Asphalt Repair:
    A. Patching Prior to Overlay: A total of 3,700 sq. yds. Saw cut edges. Cut out pavement to a depth of 4". Install 4" #404 hot mix asphalt in two 2" lifts and roll to compaction.
    B. Overlay: Total of 28,194 sq. yds.
        1. Grind approximately 500 lin.ft.
        2. Install riser rings: 7 round and 2 square.
        3. Remove, raise and replace 3 concrete HC ramps (120 sq.ft.)
        4. Clean area to be resurfaced with hand brooms and forced air sweepers.
        5. Apply 0.1 gal. per sq.yd. of RS-2 liquid asphalt to bond new pavement to the existing pavement.
        6. Install a leveling course to bring all low areas up to current grade.
        7. Surface with 2" compacted #404 hot mix-asphalt.
        8. Seal all joints between new and existing surface with hot AC-20 liquid asphalt.
    C. Drain Tile Installation: Excavate 18" deep and install 4" #57 round, 3" perforated PVC tile (total 2,250 lin.ft.). Install 4" #57 round stone then install 4" #304 limestone. Install 4" #404 hot mix asphalt and roll to compaction. *NOTE: Owner is responsible for marking any underground utilities. Owner is also responsible for the repair of any utilities disrupted by contractor.
    D. Striping: The lot shall be striped and stencils installed per current layout using high quality white traffic paint (17,640 lin.ft., 2 reserved stencils, 7 visitor stencils, 3 speedbumps, 12 HC stencils and 1 BB key).
8. Install approximately 104,340 square feet of 'Topcoat" elastomeric membrane on the existing EPDM roof system as outlined below.
    1. The entire roof area will be pressure washed to remove dirt and debris.
    2. Pre-treat all roof penetrations and seams-with flashing grade membrane and reinforced fabric.
    3. Install one (1) base coat of the Topcoat elastomeric membrane to the entire roof area; color to be light gray. Application rates to be applied per manufacturer specifications.
    4. Install one (1) finish coat of the Topcoat elastomeric membrane to the roof area; color to be white. Application rates to be applied per manufacturer specifications.
    5. All work to be completed during normal working hours Monday thru Friday.
    6. Sales tax included.
    7. Prevailing wages not included.
    8. Clean up and dispose of all related debris.
    9. Provide manufacturer's 10 year warranty.
    10. Install 1° poly? roof insulation over the existing insulation. The existing roof insulation will not be covered under warranty.
9. HVAC:

Unit Removal

- Disconnect natural gas service to each unit.
  Disconnect electrical service.
  Furnish appropriate cranes and remove 23 old units.
- Prepare old units for removal, including refrigerant recovery per Clean Air Act section 608
  Haul away old units.
- Removal of old WT system

New Unit Installation

- Install roof-curb adapters.

- Install 23 new Trane rooftop units.
- Furnish appropriate cranes for roof-curb installation and 23 new units.
- Re-connect natural gas service.
- Re-connect electrical service (install a courtesy lighting on each unit. Lights are currently on each unit)-. Paint natural gas piping from the roof boot to the new unit.
  Unit start-up and 1st year labor warranty (included in unit pricing).
  Reconnection of smoke detectors to building and fire alarm system.

Ductwork Re-Zoning Modifications

- Ductwork changes to re-zone RTU #9, #19, #14, and #3 as per our site visit on 8/5/2005.
- Add rezoning of facilities and recovery areas (RTU-18 and 21)
- Add rezoning of GWCC (Control Room) to include additional space being added (RTU-13)
  Check air balance at each unit.
  Disconnect and re-connect T/C wiring at each unit.
  Remove and re-install ceilings as required.

Ceiling Diffuser Replacements Remove old diffuser

- Add necessary flex duct
  Replace ceiling
  Install new diffuser
- Repair ceiling
- Includes ail ceiling tiles and metal track as required.
- Evening Work included

Tracer Summit Building Automation System

- Installation of two Building Control Units (BCU)
- The BCUs will reside on the customer provided LAN
- Setup and programming of the BCU database
- We will add the new site database to the other Alliance Data sites so that all Tracer Summit sites can be viewed from all locations Custom graphics
- 4 hours Owner demonstration

VariTrac Systems for each 10 RTU-VAV systems

- We will install a VariTrac CCP panel for each RTU-VAV system
- We will install a communications link from CCP’s to the BCU.
- We will install a communication link from the CCPs to its respective RTU
- We will install a Trane DCC unit control module (UCM) for each zone damper (Total of 76)
- We will replace the existing damper actuators with new actuators (the current actuators are not compatible with the Trane system)
- We will Install a communication link from the CCPs to their respective zone and bypass dampers
- We will replace the existing space temperature sensors with Trane DDC space sensors
- We will setup and checkout the CCPs and respective zone and bypass dampers
- We will setup monitoring and control of the VAV-RTU systems at the Tracer Summit front end workstation
- DDC controls for 13 CV-RTUs
- We will install a communication link to each RTU
- We will replace the existing space thermostats with Trane DDC space temperature sensors
- We will setup monitoring and control of the RTUs at the Tracer Summit front-end workstation

All low voltage temperature control wire above accessible ceilings will be installed without conduit. Installation of the temperature control system will be performed after-hours. Trane will not be responsible for patching/ repairing walls if the size of the new temperature sensors do not match the hole cut for the existing temperature sensors.

Tag Date- Unitary Gas/ Electric Rooftop Units (Qty: 11)

Item	Tag(s)	Qty	Description	Model Number
A1	RTU-1, RTU-2, RTU-10, RTU-12, RTU-20, RTU-23	6	3-10 Ton Packaged Unitary Gas/ Electric R	YSC090A4RMA-C0A0A1B1A2A7-C
A2	RTU-11	1	3-10 Ton Packaged Unitary Gas/ Electric R	YSC102A4RMA-C0A0A1B1A2A7-D
A3	RTU-6, RTU-12, RTU-20, RTU-23	4	3-10 Ton Packaged Unitary Gas/ Electric R	YSC120A4RMA-C0A0A1B1A2A7-D

Product Data - Unitary Gas/ Electric Rooftop Units All Units

- DX cooling, gas heat
- High efficiency units
- Convertible configuration
- 460/60/3
- Micro-processor controls 3 ph
- Medium gas heat capacity
- Economizer, dry bulb 0-100%, w/o barometric relief 3 ph
- Hinged panels/ standard filters 3 ph
- Through the base electric 3 ph
- Non-fused disconnect 3 ph
- Powered conv. Outlet 3 ph
- Trane communications interface 3 ph
- TXV option 3 ph
- Frostat 3 ph
- Return air smoke detector 3 ph
- Clogged filter switch, fan failure switch & discharge air sensing tube 3 ph
- Power exhaust (Fid)
- Room sns w/temp adj & ovrd & cancel (Fid)

Item: A1 Qty: 6 Tag(s): RTU-1, RTU-2, RTU-10, RTU-12, RTU-20, RTU-23

7.5 Ton, Single compressor

Item: A2 Qty: 1 Tag(s): RTU-11

8.5 Ton

Item: A3 Qty: 4 Tag(s): RTU-6, RTU-12, RTU-20, RTU-23

10 Ton

* Tag Data - Packaged Gas/ Electric Rooftop Units (Qty: 12)

Item	Tag(s)	Qty	Description	Model Number
B1	RTU-19	1	12¹/£ -25 Ton Packaged Unitary Gas/ Electric R	YFD150D4HG
B2	RTU-3, RTU-4, RTU-5, RTU-7, RTU-8, RTU-9, RTU-14, RTU-15, RTU-16, RTU-17, RTU-18	11	12V£ -25 Ton Packaged Unitary Gas/ Electric R	YFD210C4HG

Product Data—Packaged Gas/ Electric Rooftop Units All Units

Gas/ electric unit with special factory installed options (FiOPS)

- Downflow airflow
- 460 Volt 60 Hertz 3 phase High heat capacity
- Trane communication interface with downflow economizer
  ICS Sensor with Timed Override Button and Local Setpoint (Fid)
  Powered Exhaust (Fid)
  Thru the base electrical
  Disconnect switch
  120 volt convenience outlet
  Hinged access panels
  High efficiency supply motor
  FIOPS options module
  Return air smoke detector

Item: B1 Qty: 1 Tag(s): RTU-19

12 1/4 ton Nominal cooling capacity

Item: B2 Qty: 11 Tag(s): RTU-3, RTU-4, RTU-5, RTU-7, RTU-8, RTU-9, RTU-14, RTU-15, RTU-16, RTU-17, RTU-18

17 1/4 ton Nominal-cooling capacity

RTU Notes:

1. Startus & 1^{5t} year Labor Work Warranty included
2. Courtesy lighting by others (should be included in replacements)
3. Curb adapters included

10. New Landscaping in the front of the building as mutually agreed upon by Tenant and Landlord.

11. Replacement of existing front sidewalk as needed.

12. Replace existing Dock door with new door and replace concrete pad as needed.

EXHIBIT B

Confidentiality Agreement

I understand that, while at Lessee's facilities, I may come in contact with information which is confidential to Lessee's business or to its customers, vendors or employees ("Confidential Information"). I further understand that I have a duty to not communicate or share the Confidential Information with anyone, except as provided herein.

For the purposes of this Agreement, the term "Confidential Information" means all information disclosed to me by Lessee in connection with the performance of services for Lessee or any information relating to Lessee or its business, or employees to which I may have access while performing services for Lessee. Confidential Information includes anything 1 see or hear, such as, by way of example only, paper documents, information stored on computers, anything I see, talk about, or overhear while at the facilities which contains:

- Facilities information: locations of buildings, types and locations of equipment, or hours of operation;
- Business information: information regarding vendors or their staff, pass codes, customer information, pricing information, or business ideas;
- Personal information: all private information of Lessee's employees, customers or other vendors, such as that person's name, address, telephone number, Social Security Number, or credit card information;

I understand this agreement does not apply to information (a) which I knew before 1 observed it at the Lessee facility or it was disclosed to me by Lessor or Lessee, or (b) which has become publicly known.

I agree not to disclose any Confidential Information to anyone. I agree not to use any Confidential Information except to perform services for Lessee.

I acknowledge that all Confidential Information remains the property of Lessee. I agree to return all Confidential Information to Vendor on Vendor's request and, in any event, upon termination of my services at the Lessee facility.

The foregoing notwithstanding, the herein terms, conditions, restriction and obligations shall not prohibit Lessor from requesting necessary financial information from Lessee and providing such necessary financial information relative to Lessee to its mortgagees, lenders, financial institutions and/or prospective purchasers of the Premises, as defined in the Lease.

Print Name:
Signature:
Date:

Exhibit 10.13

EDGEWATER OFFICE PARK
WAKEFIELD, MASSACHUSETTS

FIRST AMENDMENT TO LEASE
Epsilon Data Management, Inc.

First Amendment to Lease ("First Amendment") dated as of August 29, 2007 between 601 Edgewater LLC, a Delaware limited liability company ("Landlord"), and Epsilon Data Management, LLC, a Delaware limited liability company ("Tenant").

Background

Reference is made to a lease dated July 30, 2002 (the "Lease") between Landlord and Tenant for certain premises containing 96,726 square feet of Rentable Floor Area (the "Original Premises") in the building known as 601 Edgewater Drive, Wakefield, Massachusetts (the "Building"). Capitalized terms used and not otherwise defined in this First Amendment shall have the meanings ascribed to them in the Lease.

Landlord and Tenant desire to enter into this First Amendment to add certain expansion space to the Original Premises on the terms more particularly set forth in this First Amendment.

Agreement

FOR VALUE RECEIVED, Landlord and Tenant agree as follows:

1. Expansion. Effective as of the Expansion Commencement Date (defined below), Landlord hereby agrees to lease to Tenant and Tenant hereby agrees to lease from Landlord an additional 16,707 square feet of Rentable Floor Area (the "Additional Premises") as shown on the floor plan attached hereto as Exhibit A. Tenant's lease of the Additional Premises shall be on all of the same terms and conditions as the Original Premises, except as otherwise specified herein. Effective as of the Expansion Commencement Date, the Additional Premises shall be made a part of the Premises under the Lease and Tenant shall be leasing a total of 113,433 square feet of Rentable Floor Area in the Building. Landlord shall deliver the Additional Premises to Tenant on the Expansion Commencement Date free of all tenants and occupants (including their personal property and trade fixtures), in broom clean condition, good working order condition and repair (including, but not limited to, all building, mechanical and life-safety systems serving same) and in compliance in all respects with applicable laws, codes, ordinances, rules and regulations."

(a) Annual Fixed Rent for the Additional Premises. Commencing on the Expansion Commencement Date and continuing through the Term Expiration Date, Tenant shall pay Annual Fixed Rent for the Additional Premises in the amount per rentable square foot set forth below and otherwise on the same terms and conditions as the Original Premises.

(b) Additional Rent. Commencing on the Expansion Commencement Date and continuing through the Term Expiration Date, payments of Additional Rent for Landlord's Operating Expenses and Taxes shall be determined and paid at the times and in the manner set

forth in Sections 2.5 and 2.6 of the Lease (using the new figures for Base Operating Expenses and Base Taxes provided under this First Amendment). From and after the Expansion Extension Date, however, Tenant shall pay for all electricity consumed in the Additional Premises as and to the extent set forth in Section 2.7 of the Lease and any other additional charges incurred under the Lease for the Additional Premises other than Additional Rent for Landlord's Operating Expenses and Taxes.

(c) As-Is. Subject to Landlord's obligations set forth in this First Amendment and the Lease, the Additional Premises are being leased in their "as-is" condition without representation or warranty by Landlord, and Landlord shall not be required to perform any work in connection with Tenant's occupancy of the Additional Premises during the Term.

(d) Expansion Commencement Date. The "Expansion Commencement Date" shall be March 1, 2008, or if later, the date of substantial completion (as defined below) of Tenant's Expansion Construction (as defined on Exhibit B), provided, however, that the extension of the Expansion Commencement Date beyond March 1, 2008 shall be applicable only if and to the extent that the completion of Tenant's Expansion Construction is delayed beyond March 1, 2008 as a result of Force Majeure, as such term is defined in Section 4.2 of the Lease, and/or delays, caused by the action or inaction of Landlord, including but not limited to Landlord's failure to deliver the Additional Premises as required under this First Amendment on or before November 30, 2007, and provided that as a condition of such extension (except for an extension based on Landlord's failure to deliver as aforesaid) Tenant shall give notice to Landlord upon earning of the event of Force Majeure or Landlord delay and Tenant shall use all commercially reasonable efforts to substantially complete Tenant's Expansion Construction as soon as possible thereafter. As used herein, Tenant's Expansion Construction shall be "substantially complete" or "substantially completed" when Tenant obtains a certificate of occupancy for the Premises allowing the use and occupancy thereof as contemplated in the Lease^ if necessary, and all of Tenant's Expansion Construction has been completed except for so-called "punch-list items" which shall consist of, for example, minor work, adjustments or installations, the completion of which will not materially interfere with Tenant's use and occupancy of the Premises. If Landlord has not delivered the Additional Premises to Tenant on or before December 15, 2007, Tenant shall have the right at its sole election to terminate this First Amendment upon written notice to Landlord whereupon this First Amendment shall be of no further force or effect.

2. Tenant Improvement Allowance. Landlord shall reimburse Tenant for actual third-party costs incurred by Tenant to make improvements to the Original Premises and the Additional Premises in an amount up to $417,675 (the "Tenant Improvement Allowance"), such reimbursement to be paid in accordance with Exhibit B attached hereto. Tenant may use up to $250,605 of the Tenant Improvement Allowance to assist with Tenant's actual third-party costs incurred by Tenant in connection with moving, cabling, wiring, furniture, telephone systems and other building-related items or to offset Annual Fixed Rent during the first 7 months following the Expansion Commencement Date. In addition, Landlord shall reimburse Tenant for actual third-party costs incurred by Tenant for Tenant's space planning for the Additional Premises in an amount up to $2,506.05 (the "Space Planning Allowance").

3. Annual Fixed Rent. Commencing on the Expansion Commencement Date, Annual Fixed Rent for the Additional Premises shall be due and payable in equal monthly installments as provided in Section 2.5 of the Lease as follows:

Time Period	Rent Per Rentable Square Foot	Annual Fixed Rent	Monthly Rent
Expansion Commencement Date to the day before the Second Anniversary thereof.	$ 23.00	$ 384,261	$ 32,021.75
Second Anniversary of Expansion Commencement Date to day before Fourth Anniversary of Expansion Commencement Date.	$ 24.00	$ 400,968	$ 33,414
Fourth Anniversary of Expansion Commencement Date to April 30, 20l3	$ 25.00	$ 417,675	$ 34,806.25

4. Base Operating Expenses and Taxes. Commencing as of the Expansion Commencement Date (i) the Base Operating Expenses Per Square Foot of Rentable Floor Area figure shall be equal to actual Operating Expenses for calendar year 2007, which amount shall be "grossed-up" to a level of 95% occupancy as to those costs that vary with occupancy in the event the Building occupancy is less than 95% on average in any given year, and (ii) the Base Taxes Per Square Foot of Rentable Floor Area figure shall be equal to actual Taxes for fiscal year 2008, which amount will be "grossed up" to reflect a real estate tax assessment based on a fully-completed and 100% leased and occupied Building.

5. Additional Right of First Offer.

Simultaneously with any offer to lease all or any portion of the second (2nd) or third (3rd) floors of the Building (the "601 ROFO Space") or any portion of the building located at 701 Edgewater Drive, Wakefield, Massachusetts (the "701 Building" and collectively with the 601 ROFO Space, the "ROFO Space"), to any third party, Landlord shall offer to lease such space (the "Amendment Offered Space") to Tenant at the Amendment Expansion Market Rent (defined below) - and except as otherwise specified herein on the same terms and conditions as this Lease, provided however, that (a) if there are less than three (3) Lease Years left in the Term

at the time Landlord is offering to lease the Amendment Offered Space, Tenant may lease the Amendment Offered Space only if Tenant has, and irrevocably exercises, an Extension Option set forth in Section 2.4.1 of the Lease for the Premises so that the Amendment Offered Space shall be leased by Tenant for at least a three (3) year term, (b) the Amendment Offered Space shall be leased by Tenant in its "as is" (but vacant, broom-clean and in good order and repair and operating condition and in compliance with applicable laws, codes, ordinances, rules and regulations, except for any Tenant work) with such tenant improvement allowances, free rent, or other concessions as are then being offered generally for comparable space in comparable properties in the "Metro-North" area, (c) the figures for Base Operating Expenses and Base Taxes applicable to the Amendment Offered Space shall be the actual amounts (adjusted to 95% occupancy, and to 100% fully-built, leased and occupied, respectively) for the calendar year and fiscal year, respectively, in which the Amendment Offered Space is to be delivered to Tenant, and (d) Tenant may elect to lease either the Amendment Offered Space or, at Tenant's option, the entire ROFO Space to the extent that the same is not then under lease to other tenants or the subject of active lease negotiations following an offer to Tenant under this Section 5. Any tenant or occupant of the Amendment Offered Space from time to time, any affiliate thereof, or Metcalf & Eddy or ah affiliate thereof to the extent of its rights to lease a portion (approximately 3,000 square feet) of such space as of the date hereof shall not be considered a "third-party" for purposes of this Section 5. and Landlord shall be free to lease the Amendment Offered Space to any of the foregoing without offering the same to Tenant first.

Any offer by Landlord under this Section 5 may be accepted by Tenant by written notice given within ten (10) Business Days, as defined in Section 8.19 of the Lease, of delivery of Landlord's offer. If Tenant does not timely accept Landlord's offer, then Tenant's rights under this Section 5 shall be deemed conclusively waived by Tenant with respect to the next lease of the Amendment Offered Space provided that the next such lease of the Amendment Offered Space is entered into within nine (9) months after Tenant's failure to accept Landlord's offer, and . Landlord shall have no further obligation to offer the Offered Space to Tenant before next leasing the same to a third party occurring within such nine (9) month period, but this Section 5 shall apply to any other lease of ROFO Space. In the event that Tenant accepts any offer by Landlord under this section, the leasing of such Amendment Offered Space and the rent therefor shall be documented by an amendment to the Lease. Tenant's rights under this Section 5 as to that particular accepted Amendment Offered Space shall be rendered void, at Landlord's election, if Tenant is in default beyond any applicable notice or grace period at the time Landlord offers any space to a third party or at the time Tenant's lease of any Offered Space under this Section 5 would otherwise commence.

"Amendment Expansion Market Rent" shall mean the then prevailing market rate for a five (5) year lease of office space in the greater "Metro-North" area comparable to the Amendment Offered Space in terms of location within a building, finish, age, building quality and amenities for a tenant of equal size and financial strength as Tenant, under terms and conditions substantially the same as those on which Tenant shall have the right to lease the Amendment Offered Space. If Landlord and Tenant have not agreed, in writing, on the Amendment Expansion Market Rent for the Offered Space within fourteen (14) days after Tenant accepts Landlord's offer, then at the request of either party Amendment Expansion Market Rent for the Amendment Offered Space shall be determined in accordance with the arbitration procedure set forth in Section 2.4.1 of the Lease for the determination of Fair Market Rent.

If Tenant exercises its rights under this Section 5. Landlord shall use reasonable efforts to deliver the Amendment Offered Space as set forth in Landlord's offer. Landlord's failure to deliver, or delay in delivering, all or any part of the Amendment Offered Space by reason of Force Majeure, as such term is defined in Section 4.2 of the Lease, and including continued occupancy of any such Amendment Offered Space by any occupant thereof shall not give rise to any liability of Landlord, shall not alter Tenant's obligation to accept such Amendment Offered Space when delivered, shall not constitute a default of Landlord, and shall not affect the validity of the Lease; provided, however, that if Landlord shall fail to deliver the Amendment Offered Space within ninety (90) days following the date set forth in Landlord's offer, Tenant shall have the right at its sole election to terminate its exercise of its rights thereto upon written notice to Landlord whereupon such exercise shall be of no further force or effect.

This Section 5 shall not be construed to grant to Tenant any rights or interest in any space in the Building and any claims by Tenant alleging a failure of Landlord to comply herewith shall be limited to claims for monetary damages and Tenant may not assert any rights in any space nor file any lis pendens or similar notice with respect thereto.

6. Notices and Tenant's Authorized Representative. From and after the date of this First Amendment, Tenant's Authorized Representative and notice therefore shall be as follows and the following shall be added as an additional Tenant notice party for all notices and communications to Tenant pursuant to the Lease:

Epsilon
601 Edgewater Drive
Mailstop 5/M06
Wakefield, MA 01880
Attention: Laura Vosburgh Marshall
Senior Director, Facilities & Real Estate

And to:

ADS
17655 Waterview Parkway
Dallas, TX 75252
Attention: General Counsel

7. Brokerage. Tenant represents and warrants that it has had no dealings with any broker or agent in connection with this First Amendment, except FHO Partners LLC and Wyman Street Advisors. Tenant covenants to defend (by counsel of Landlord's choice), pay, hold harmless and indemnify Landlord from and against any and all costs, expense or liability for any compensation, commissions, and charges claimed by any broker or agent, with respect to this First Amendment or the negotiation thereof arising from a breach of the foregoing warranty. Landlord shall pay all commissions due to FHO Partners LLC and Wyman Street Advisors in connection with this First Amendment.

8. Ratification. Except as set forth herein, the terms of the Lease are hereby ratified and confirmed.

EXECUTED as a sealed Massachusetts instrument as of the date first written above.

LANDLORD:

601 EDGEWATER LLC

BY: Donald G. Oldmixon, Manager

TENANT:

EPSILON DATA MANAGEMENT, LLC

BY: Alan M. Utay, Vice President and Secretary

Duly Authorized

EXHIBIT A

Floor Plan

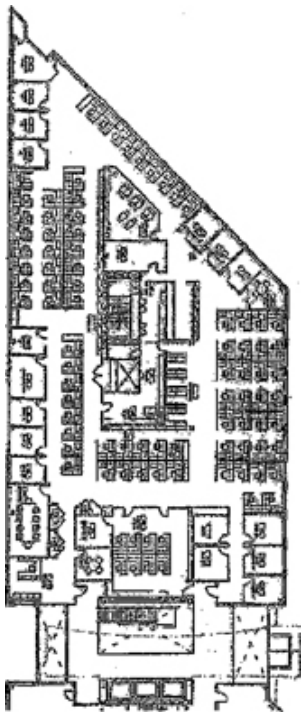


EXHIBIT B

Tenant's Expansion Construction

1. Plans and Specifications.

(a) Preparation of Plans. Tenant shall prepare at Tenant's cost, subject to the Space Planning Allowance, plans ("Tenant's Plans") for the construction and layout of the Premises. Tenants leasing partial floors shall design entrances, doors and any other elements which visually integrate with the elevator lobbies and common areas in a manner and with materials and finishes which are compatible with the Building standard materials and common area finishes for such floor. Tenant may contract directly for design work or through design-build contracts with Landlord approval not to be unreasonably withheld, conditioned or delayed. Where required, Tenant shall employ the engineers utilized or otherwise approved by Landlord to construct the Building for all mechanical, electrical and plumbing engineering design work, Landlord approval not to be unreasonably withheld, conditioned or delayed. Tenant reserves the sole right to employ engineers reasonably approved by Landlord for the design of Tenant's data center. Tenant shall consult with Landlord from time to time as Tenant's Plans are being prepared and Tenant's Plans shall be subject to Landlord's prior written approval prior to the commencement of construction. Landlord shall not unreasonably withhold, condition, or delay Landlord's approval of the Tenant Plans, and if, for any reason, Landlord does not approve Tenant's Plans, it shall state specifically the reasons therefor. Landlord need not approve any items or aspects of Tenant's Expansion Construction which in Landlord's reasonable judgment (i) would materially delay other work in the Building, (ii) would materially increase the cost of operating the Building or performing any other work in the Building, (iii) are incompatible with the design, quality, equipment or systems of the, Building, (iv) would require unusual expense to readapt the Premises to general purpose office use (unless Tenant agrees to remove same and/or readapt the Premises) or (v) otherwise do not comply with the provisions of the Lease (including, without limitation, Section 5.1 D).

(b) Tenant Plans. Tenant shall submit the information/data/plans, etc., as noted:

(i) Major Work: A list of any items or matters, which might require structural modifications to the Building, including, without limitation, the following:

(1) Location and details of special floor areas exceeding seventy (70) pounds of live load per square foot;

(2) Location and weights of storage files;

(3) Location of any special soundproofing requirements;

(4) Existence of any extraordinary HVAC requirements necessitating perforation of structural members or connection to the Building condenser water loop; and

(5) Existence of any requirements for interconnecting staircases or other items affecting the structure.

(ii) Final Plans: One (1) sepia and one (1) blackline drawing showing all architectural, mechanical and electrical systems, including, without limitation, cutsheets, specifications and the following:

CONSTRUCTION PLANS:

(1) All partitions shall be shown; indicate all Building standard or non-standard construction and details referenced;

(2) Dimensions for partition shall be shown to face of stud; critical tolerances and ± dimensions shall be clearly noted;

(3) All doors shall be shown on and shall be numbered and scheduled on door schedule;

(4) All non-Building standard construction, non-standard materials and/or installation shall be explicitly noted; equipment and finishes shall be shown and details referenced; and

(5) All plumbing fixtures or other equipment requirements and any equipment requiring connection to Building plumbing systems shall be noted.

REFLECTED CEILING PLAN:

(1) Layout suspended ceiling grid pattern in each room, describing the intent of the ceiling working point, origin and/or centering; and

(2) Locate all ceiling-mounted lighting fixtures and air handling devices including air dampers, fan boxes, etc., Building standard 2' x 2' fluorescent fighting fixtures, Building standard supply air diffusers, Building standard wall switches, down lights, special lighting fixtures, special return air registers, special supply air diffusers, and special wall switches.

TELEPHONE AND ELECTRICAL EQUIPMENT PLAN:

(1) All telephone outlets required;

(2) All electrical outlets required; note non-standard power devices and/or related equipment; and

(3) All electrical requirements associated with plumbing fixtures or equipment; append product data for all equipment requiring special power, temperature control or plumbing considerations.

DOOR SCHEDULE:

(1) Provide a schedule of doors, sizes, finishes, hardware sets, and all information necessary to fully describe selected Building standard; and

(2) Non-standard materials and/or installation shall be explicitly noted.

HVAC:

(1) Areas requiring special temperature and/or humidity control requirements;

(2) Heat emission of equipment (including catalogue cuts), such as CRTs, copy machines, etc.; and

(3) Special exhaust requirements - conference rooms, pantry, toilets, etc.

ELECTRICAL:

(1) Special lighting requirements;

(2) Power requirements and special outlet requirements of equipment;

(3) Security requirements; and

(4) Supplied telephone equipment and the necessary space allocation for same.

PLUMBING:

(1) Remote toilets;

(2) Pantry equipment requirements;

(3) Remote water and/or drain requirements such as for sinks, ice makers, etc.; and

(4) Special drainage requirements, such as those requiring holding or dilution tanks.

COMPUTERS:

Equipment cuts, power requirements, heat emissions, raised floor requirements, fire protection requirements, security requirements, and emergency power.

(c) Plan Requirements. Tenant's Plans shall be fully detailed and fully coordinated, shall show complete dimensions, and shall have designated thereon all points of location and other matters, including, without limitation, special construction, details and finish schedules. All drawings shall be uniform size (30" x 42") and shall incorporate the standard electrical and plumbing symbols and be at a scale of 1/8" = l'0" or larger. Materials and/or installation shall be

explicitly noted and adequately specified to allow for Landlord review, building permit application, and construction. A concise description of products, acceptable substitutes, and installation procedures and standards shall be provided. Product cuts must be provided and special mechanical or electrical loads noted. Landlord's approval of the plans, drawings, specifications or other submissions in respect of any work, addition, alteration or improvement to be undertaken by or on behalf of Tenant shall create no liability or responsibility on the part of Landlord for their completeness, design sufficiency or compliance with requirements of any applicable laws, rules or regulations of any governmental or quasi-governmental agency, board or authority.

(d) Drawing and Document Production. Landlord shall provide Tenant with a sepia drawing or CAD disk showing the Building outline, core walls and columns, together with corridor and demising wall location plans. In addition, in the event that compatible CAD drawing production is not available between the architectural designer and the mechanical, electrical and plumbing engineers, the following four (4) mylars, supplied by the architects to the mechanical, electrical and plumbing engineers, are required:

(i) One (1) composite, reverse washoff mylar showing electrical and telephone layouts as follows:

Fifty percent (50%) screened: Building outline, core walls, columns and Tenant partitions.

Full strength: All telephone and power outlets and dimensional information locating these outlets both in plan and elevation where necessary;

(ii) Two (2) composite, reverse washoff mylars showing reflecting ceiling plan as follows:

Fifty percent ("50%") screened: Building outline, core walls, columns and Tenant partitions.

Full strength: Lighting fixtures: and

(iii) One (1) composite, reverse washoff mylar showing reflecting ceiling plan as follows:

Fifty percent (50%") screened: Building outline, core walls, columns, Tenant partitions and lighting fixtures.

(e) Change Orders. Tenant's Plans shall not be materially changed or modified by Tenant after approval by Landlord without the further approval in writing ("Change Order") by Landlord.

2. Tenant's Expansion Construction.

(a) General. Landlord and its authorized representatives shall be kept fully apprised and informed of the construction process, and shall have the right upon reasonable advance notice to inspect Tenant's Expansion Construction from time to time and to attend construction job-site meetings.

(b) Tenant's Architect/Engineers. Landlord has approved Perkins & Will as "Tenant's Architect" for Tenant's Expansion Construction (Tenant may hire a different architect so long as Landlord has no reasonable objection thereto). If an architect other than Landlord's architect is selected by Tenant, Tenant shall provide a letter from such architect to Landlord stating that the architect has carefully reviewed the requirements of this Exhibit B, and of any Tenant's Expansion Construction design schedule, and that Tenant's Architect will comply with all such requirements including without limitation the submission deadlines stated in any Tenant's Expansion Construction design schedule. Any electrical, mechanical or structural engineers employed by Tenant or Tenant's Architect shall be subject to Landlord's approval, which shall not be unreasonably withheld, conditioned or delayed.

Tenant shall be solely responsible for the liabilities and expenses of all architectural and engineering services relating to Tenant's Expansion Construction (subject to reimbursement from-the Improvement Allowance) and for the adequacy and completeness of Tenant's Plans submitted to Landlord. If applicable, Tenant's Plans shall provide for the uniform exterior appearance of the Building, including without limitation the use of Building standard window blinds and Building standard light fixtures within fifteen (15) feet of each exterior window.

(c) Performance of Tenant's Expansion Construction. Tenant's Expansion Construction shall be performed in accordance with Tenant's Plans and any Change Orders approved by Landlord (such approval not be unreasonably withheld, conditioned or delayed). Minor Change Orders (under $50,000 per change which do not affect the systems or structure of the Building) shall not require Landlord's approval.

By its execution of the Lease, and submission of Tenant's Plans and any Change Orders, Tenant will be deemed to have approved, and shall be legally responsible for, such Tenant's Plans and Change Orders. Landlord shall not be responsible for any aspects of the design or construction of Tenant's Expansion Construction, the correction of any defects therein, or any delays in the completion thereof. Tenant shall be responsible for building standard costs of Building services or facilities (such as electricity, HVAC, and cleaning) required to implement Tenant's Expansion Construction and other variable costs to the extent required to be paid by Tenant under the Lease (such as for review, inspection, and testing). All payments required to be made by Tenant hereunder, whether to Landlord or to third parties, shall be deemed Additional Rent for purposes of Article VII of the Lease. There shall be no review fees or similar fees to or on behalf of Landlord.

Tenant's Expansion Construction shall be made in accordance with the requirements of this Exhibit B, Tenant's Expansion Construction must comply with the Building Code in effect for the, municipality in which the Building is located and the requirements, rules and regulations of any governmental agencies having jurisdiction. Tenant must deliver to Landlord copies of all required permits and approvals prior to the commencement of Tenant's Expansion Construction.

If applicable, a pro-rata share of the cost of the multi-tenant corridor, if applicable, which shall be constructed by Landlord, shall be .done at Tenant's cost.

(d) Tenant Contractor. Any independent contractor of Tenant for any employee or agent of Tenant) perforating Tenant's Expansion Construction shall be a "Tenant Contractor" and shall be subject to all of the terms, conditions and requirements contained in the Lease relating to Tenant's Expansion Construction and/or applicable to Tenant Contractor. The identity and qualifications of each Tenant Contractor shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld, conditioned, or delayed.

Without limitation, Tenant shall require each Tenant Contractor to adjust and coordinate Tenant's Expansion Construction to meet the schedule or requirements of other work being performed by or for Landlord throughout the Building. Tenant shall insure, that each Tenant Contractor shall take all reasonable steps to assure that any work is carried out without disruption from labor disputes arising from whatever cause, including, without limitation, disputes concerning union jurisdiction and the affiliation of workers employed by said Tenant Contractor or its subcontractors. Tenant shall be responsible for, and shall reimburse Landlord for, all costs and expenses, including, without limitation, attorney's fees incurred by Landlord in connection with any breach by the contractor of such obligations.

At all times while performing Tenant's Expansion Construction, Tenant shall not, and shall endeavor to require that each Tenant Contractor shall not discriminate against, any individual because of race, color, sex, religion or national origin and will, as may be required by the municipality in which the Building is located or any other public authority having jurisdiction, comply with all applicable laws, regulations and equal opportunity policies generally adhered to by comparable office buildings in the same geographic area as the Building.

In the event that special security arrangements must be made (e.g., in connection with work outside normal business hours), then the cost of such security must be paid by the Tenant or the Tenant Contractor requesting such security. Tenant must insure that each Tenant Contractor and subcontractors use commercially reasonable efforts to minimize noise caused by Tenant's Expansion Construction. Work stoppage during Hours of Operation will be ordered if noise, in the reasonable judgment of the Building manager, disturbs other tenants of the Building, and Landlord shall, have no liability therefor.

In all events, Tenant shall indemnify the Indemnitees in the manner provided in Section 5.6.1 -of the Lease against any claim, loss or cost arising out of any interference with, or damage to, any work in the Building being done by Landlord, or any delay thereto, or any increase in the cost thereof on account in whole or in part of any act, omission, neglect or default by Tenant or any Tenant Contractor in the performance of Tenant's Expansion Construction.

(e) Insurance. Tenant shall, and Tenant shall cause all Tenant Contractors and subcontractors to purchase and maintain the insurance in the coverages and limits set forth in the Lease or as otherwise may be reasonably agreed to by Landlord, and prior to the commencement of Tenant's Expansion Construction, Tenant shall provide Landlord with the following:

(i) A list of each Tenant Contractor and/or subcontractors for Landlord's approval, such approval to be exercised reasonably and without undue delay.

(ii) Tenant's and all Tenant Contractors' and subcontractors' insurance certificates.

(f) General.

All demolition, removals, or other categories of work that may inconvenience other tenants or disturb Building operations must be scheduled and performed before or after normal Building hours, and Tenant shall provide the Building manager with reasonable notice prior to proceeding with such work Tenant must schedule and coordinate all aspects of work with the . Building manager and Building engineer.

Installations within the Premises and in ceiling plenums below the Premises shall not interfere with easting services and shall be installed in such a manner so as not to interfere with prior installation of ceilings or services for other tenants.

Redundant electrical, control and alarm systems and mechanical equipment and sheet metal of Tenant not maintained under the work to the Premises must be removed as part of the work.

Prior arrangements for elevator use shall be made with the Building manager by Tenant If an operating engineer is required by any union regulations, such engineer shall be paid for by Tenant.

If shutdown of risers and mains for electrical, mechanical and plumbing work is required, such work shall be supervised by Landlord's representative. No work shall be performed in Building mechanical equipment rooms without Landlord's approval, and all such work shall be performed under Landlord's supervision. At least forty-eight (48) hours' prior notice must generally be given to the Building management office prior to the shutdown of fire, sprinkler and other alarm systems. In the event that such work unintentionally alerts the Fire or Police Department for the municipality in which the Building is located through an alarm signal, then Tenant shall be liable for any fees or charges levied by the such Fire or Police Department in connection with such alarm. Tenant shall pay to Landlord such charges as may from time to time be in effect with respect to any such shutdown described herein.

Upon completion of the Tenant's Expansion Construction, Tenant shall submit to Landlord a permanent certificate of occupancy (if available in the city or town in which the Premises are located) and final approval by the other governmental agencies having jurisdiction (to the extent required).

3. Improvement Allowance.

Landlord shall provide Tenant with the Space Planning Allowance and the Tenant Improvement Allowance (collectively, the "Improvement Allowance") for the cost of constructing Tenant's Expansion Construction and architectural, engineering and design fees with respect thereto in amounts not to exceed the Tenant Improvement Allowance and Space Planning Allowance, as such terms are defined in Section 2 of this Amendment. All construction costs for the Premises in excess of the Tenant Improvement Allowance and all design costs for the Premises in excess of the Space Planning Allowance shall be paid for entirely by Tenant, and Landlord shall not provide any reimbursement therefor.

The Improvement Allowance shall be disbursed as requisitioned by Tenant but in no more than two (2) disbursements per month. For each disbursement, Tenant shall submit a requisition package to Landlord prior to the first day of the month, with an itemization of the costs being requisitioned, a certificate by an officer of Tenant that all such costs are Allowance Costs and have been incurred and paid for by Tenant, and appropriate back-up documentation including, without limitation, lien releases from Tenant's Contractor (in a form, reasonably approved by Landlord), paid invoices and bills. The final requisition package shall further include an executed estoppel letter under the Lease, a certificate of Tenant's Architect that Tenant's Expansion Construction has been completed in accordance with the Tenant's Plans and any Change Orders approved by Landlord, lien releases from each Tenant Contractor and all major subcontractors, a set of "as-built" plans of Tenant's Expansion Construction certified by Tenant's Architect or Contractor, and an original certificate of occupancy.

4. **Entry Prior to Commencement.**

If and as long as Tenant does not interfere in any way with any construction being performed by Landlord in the Building (by causing disharmony, scheduling or coordination difficulties,, etc. as reasonably determined by Landlord), Tenant may, pursuant to the provisions of Section 3.2 of the Lease and at Tenant's sole risk and expense, enter the Premises during the thirty (30)-days prior to the anticipated Expansion Commencement Date for the purpose of installing Tenant's decorations, movable furnishings, and business fixtures and equipment. The good faith determination of any such interference by Landlord shall be conclusive.

SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT (this **Amendment)** is entered into as of May 11, 2007 (the **Date of this Amendment),** between EPSILON DATA MANAGEMENT, LLC, a Delaware limited liability company (formerly known as Epsilon Data Management, Inc., a Delaware corporation) (Tenant), and KDC REGENT I INVESTMENTS, LP, a Texas limited partnership **(Landlord).**

BACKGROUND:

A. Tenant and Landlord entered into that certain Lease Agreement dated May 31, 2005 (the **Original Lease),** covering a certain parcel of real property located in Irving, Dallas County', Texas, as more particularly described in the Original Lease. Per the Original Lease, Landlord agreed to lease to Tenant a building containing approximately 75,132 total rentable square feet.

B. The Original Lease was amended by that certain Amendment to Lease Agreement dated as of May 4, 2006, between Landlord and Tenant (the First **Amendment,** and, together with the Original Lease, the Lease).

C. On or about December 30, 2005, Tenant restructured from **a** Delaware corporation into a Delaware limited liability company.

D. Tenant desires that Landlord expand the Premises to include an additional building containing approximately 75,100 rentable square feet similar to the existing building and desires to occupy both the existing building and the new building.

E. Landlord and Tenant desire to amend the terms of the Lease to evidence the expansion of. the Premises to include a second building and Tenant's occupation of the entire second building, pursuant to the terms set forth in this Amendment.

AGREEMENTS:

Landlord and Tenant agree as follows:

1. Defined Terms. All capitalized terms used but not defined in this Amendment have the meaning set forth in the Lease. The following capitalized terms are given the meanings set forth below, and to the extent such defined' terms were defined in the Lease, such terms are hereby amended for all purposes:

(a) **Additional Land** is given the meaning set forth in Section 5 of this Amendment.

(b) **Building** means Building I and Building II. Upon Building II Substantial Completion (defined below) by Landlord under the terms of this Amendment, all references to "Building" in the Lease will mean both Building l and Building II.

(c) **Building I** means the existing building located on the land containing approximately 75,132 rentable square feet built by Landlord and as shown on Exhibit L of this Amendment as the "Existing Building".

(d) **Building II** means the building to be constructed by Landlord and added to the Premises and as shown on Exhibit L of this Amendment as the "Expansion" and containing approximately 75,100 rentable square feet (+/- 2%), which will include an additional [402] surface parking spaces to the Initial Premises (for a total of [749] surface parking spaces for the Premises).

(e) **Building II Landlord Improvements** means the shell and core of Building II, to be completed by Landlord consistent with the Building II Outline Specifications.

(f) **Building II Outline Specifications** means those outline specifications for Building II attached hereto as Exhibit M.

(g) **Building II Premises** means the Additional Land, Building II, the Building II Landlord Improvements and the Building II Tenant Improvements.

(h) **Building II Tenant Improvements** means all interior improvements, special lighting, interior demising walls, floor and wall coverings, furniture systems, security systems, telephone and data cabling, excess HVAC for computer rooms, equipment, etc. desired by Tenant for Building II.

(i) **Guarantor** means Alliance Data Systems Corporation, **a** Delaware corporation.

(j) **Initial Premises** means the Premises as defined in the Lease prior to the date of this Amendment.

(k) **Premises** means the Initial Premises and the Building II Premises.

2. Building II.

(a) Landlord will construct the Building II Landlord Improvements in accordance with the Building II Outline Specifications and the plans, specifications and design drawings for Building I with minor adjustments related solely to differences in the condition of the site unique to each site (the **Final Design Drawings).**

(b) Landlord shall furnish, at Landlord's sole cost and expense, all of the materials, labor, and equipment necessary for the design and construction of the Building II Landlord Improvements in accordance with the Final Design Drawings. Landlord shall construct the Building II Landlord Improvements in a good and workmanlike manner, and in accordance with all Legal Requirements.

(c) Tenant shall retain space planners, architects, and engineers reasonably approved by Landlord to design all Building II Tenant Improvements (including, without limitation, space planning, and preparation of the Final Building II Tenant Improvements Plans and Specifications in the manner set forth below). On or before 90 days after the Date of this Amendment, Tenant shall cause proposed **Building II Tenant Improvements Design Development Plans** (herein so called) for the Building II Tenant Improvements to be prepared and delivered to Landlord. Within 10 days after receipt of the proposed Building II Tenant Improvements Design Development Plans, Landlord will approve or reject the proposed Building II Tenant

Improvements Design Development Plans. If Landlord rejects the proposed plans, Landlord must specify in sufficient detail the reason(s) for its rejection. Tenant will revise the proposed Building II Tenant Improvements Design Development Plans based on Landlord's comments and resubmit the plans for Landlord's approval. Upon Landlord's approval, the proposed Building II Tenant Improvements Design Development Plans will constitute the **Building 11 Tenant Improvements Design Development Plans** (herein so called). Within 90 days after Landlord's approval of the Building II Tenant Improvements Design Development Plans, Tenant shall cause proposed Final Building II Tenant Improvements Plans and Specifications to be prepared in accordance with the Building II Tenant Improvements Design Development Plans. Within 10 days after receipt of the proposed Final Building II Tenant Improvements Plans and Specifications, Landlord will approve or reject the proposed Final Building II Tenant Improvements Plans and Specifications. If Landlord rejects the proposed Final Building II Tenant Improvements Plans and Specifications, Landlord must specify in sufficient detail the reason(s) for Landlord's rejection. Tenant will revise the proposed Final Building II Tenant Improvements Plans and Specifications and resubmit the plans for Landlord's approval. If Landlord has not notified Tenant of Landlord's disapproval within the 10 day period, Landlord will be deemed to have approved the proposed Final Building II Tenant Improvements Plans .and Specifications. Upon Landlord's actual or deemed approval, the proposed Final Building II Tenant Improvements Plans and Specifications will constitute the **Final Building II Tenant Improvements Plans and Specifications** (herein so called). Landlord's approvals under this Section 2(c) of this Amendment may not be unreasonably withheld, conditioned, or delayed, except that any portions of the Building II Tenant Improvements that require structural attachment(s) to Building II or attachment(s) to any Building II MEP system are subject to approval by Landlord in its sole discretion.

(d) Landlord appoints James Williams as its representative to work with Tenant in the preparation and approval of the Final Building II Tenant Improvements Plans and Specifications. Tenant appoints Laura Marshall as its representative to review the proposed Building II Tenant Improvements Design Development Plans, the proposed Final Building II Tenant Improvements Plans and Specifications, and the Final Building II Tenant Improvements Plans and Specifications so as not to delay unreasonably the completion of the Building II Tenant Improvements. Both Landlord and Tenant may replace its representative(s) with other representative(s) at their discretion; and Landlord and Tenant shall advise the other party of such substitution.

(e) Landlord will provide Tenant with those allowances as specified in Exhibit N of this Amendment (collectively, the **Building II Tenant Allowances).**

(f) Landlord will commence construction of the Building II Landlord Improvements as soon as practicable after the date of this Lease but no later than 30 days after the Date of this Amendment. The commencement of site grading or site excavation will constitute the commencement of construction for purposes of the foregoing requirement. Landlord will diligently proceed with the construction of the Building II Landlord Improvements and will use commercially reasonable efforts to (i) "complete the Building II Landlord- Improvements in substantial accordance with the Final Design Drawings (except for such' seasonal landscaping items, which are to be completed at a later date) **(Building II Substantial Completion)** and (ii) deliver possession of same to the Tenant by no later than 255 days after the Date of this

Amendment (the **Building** II **Delivery Date),** subject to Excused Delays. Notwithstanding anything in this Lease to the contrary, a certificate from Landlord's architect that the Building II Landlord Improvements have been completed in substantial accordance with the Final Design Drawings shall confirm that Building II Substantial Completion Landlord Improvements has occurred, absent manifest error (the **Certificate** of **Substantial Completion).**

(g) Landlord will coordinate with Tenant so that Tenant and its contractor for the Building II Tenant Improvements can accompany Landlord and its architect when they inspect the Building II in connection with the delivery of the Certificate of Substantial Completion. Landlord will complete all punch list items for the Building II Landlord Improvements within two weeks after Tenant delivers the punch list to Landlord; but if Tenant prevents Landlord from completing any punch list item within such period of time, Landlord's time for completing the item will be extended one day for each day of Tenant Delay.

(h) Except as hereinafter provided, if delays in the commencement or completion of the construction of the Building II Landlord Improvements occur by reason of Excused Delays, the dates established above for the commencement of construction, Building II Substantial Completion and delivery of possession will be postponed by the aggregate duration of the Excused Delays; provided, however that Excused Delays, other than days of Tenant Delay, shall not postpone the Building II Delivery Date beyond 376 days after the Date of this Amendment.

(i) Upon request by Tenant after the Building II Landlord Improvements are dried in, Landlord; in its sole discretion, may allow Tenant and Tenant's employees and contractors to enter the Building II Landlord Improvements for the purpose of installing the Building II Tenant Improvements in accordance with the Final Building II Tenant Improvements Plans and Specifications and all Legal Requirements. Tenant shall, ensure that its employees and contractors do not interfere with Landlord's completion of the construction of the Building II Landlord Improvements. Tenant shall indemnify, defend, and hold Landlord harmless from and against any damage or delay caused by Tenant's early entry. Entry by Tenant's employees and contractors for this limited purpose will not constitute Tenant's acceptance of the Building II Landlord Improvements or give rise to any obligation to pay Base Rent applicable to the Building.

(j) Landlord shall incorporate only new materials and equipment into the construction of the Building II Landlord Improvements. Landlord warrants the Building II Landlord Improvements including, without limitation, the foundations, slab, structural frame, roof deck, and exterior walls of Building II against defective design, workmanship, and materials, latent or otherwise, for a period of one year from the date of Building II Substantial Completion (the **Building** II **Warranty Period).** Landlord shall repair or replace at its sole cost and expense any defective item of Building II Landlord Improvements occasioned by defective design, workmanship, or materials that Tenant discovers during the Building II Warranty Period. Upon the expiration of the Building II Warranty Period, Landlord shall cause the material and labor warranties for the general contractor, the roof on the Building II, the window glazing and the mechanical, including HVAC, electric and plumbing systems to be assigned to Tenant with no reduction in the unelapsed warranty periods or other benefits thereunder; in addition, Landlord shall deliver to Tenant all other continuing assignable guaranties

and warranties received by Landlord in connection with the construction of the Building II Landlord Improvements and shall assign to Tenant Landlord's interest in those guaranties and warranties by means of a duly executed and acknowledged assignment in form and substance reasonably satisfactory to Landlord and Tenant. Notwithstanding the foregoing, Landlord has no obligation to assign any warranty or guaranty to Tenant if Landlord is obligated to maintain an item covered by the warranty or guaranty pursuant to Section 8 of the Lease. From and after the expiration of the Building 11 Warranty Period, Landlord shall cooperate with Tenant in Tenant's enforcement, at Tenant's sole cost and expense, of any express warranties or guaranties of workmanship or materials for the Building II Landlord Improvements given by subcontractors, architects, draftsmen, or materialmen that guarantee .or warrant against defective design, workmanship, or materials for a period of time in excess of the Building II Warranty Period. The obligations Landlord undertakes under the terms of this subsection are in addition to the maintenance and repair obligations that Landlord undertakes under other terms of this Lease.

(k) Landlord shall complete construction and equipping of the Building II Landlord Improvements free of mechanic's liens or other liens, and shall defend, indemnify and hold Tenant harmless from and against all claims, actions, losses, costs, damages, expenses, liabilities and obligations, including, without limitation, ' reasonable legal fees, resulting from (A) the assertion or filing of any claim for amounts alleged to be due to the claimant for labor, services, materials, supplies, machinery, fixtures or equipment furnished in connection with the construction of the Building II Landlord Improvements, (B) the foreclosure of any mechanic's or materialmen's lien that allegedly secures the amounts allegedly owed to the claimant, or (C) any other legal proceedings initiated in connection with that claim.

(l) Landlord shall afford Tenant and its contractors reasonable access to 'the Building II Landlord improvements during construction for the purposes of inspecting the Building II Landlord Improvements.

(m) Throughout the period between the date on which Landlord commences construction of the Building II Landlord improvements and the date of Building II Substantial Completion, Landlord shall maintain in force with respect to the Building II Landlord Improvements, a policy of multiple peril (all-risk) builder's risk insurance on a completed value basis in an amount equal to the full replacement cost of the Building II Landlord Improvements. That policy must name Tenant as an additional insured, as Its interests may appear, and must provide that coverage will continue for Tenant's benefit notwithstanding' any act or omission on Landlord's part. The certificate of insurance evidencing that policy must provide that no cancellation, surrender or material change will become effective unless Tenant receives written notice at least 30 days in advance of the time at which that cancellation, surrender or material change becomes effective.

(n) Tenant shall furnish, at Tenant's sole cost and expense (but subject to payment by Landlord of the Building II Tenant Allowances), all of the materials, labor, 'and equipment necessary for the design and construction of the Building II Tenant Improvements in accordance with the Final Building II Tenant Improvements Plans and Specifications. Tenant shall construct the Building II Tenant Improvements with all due diligence in a good and workmanlike manner and in accordance with all applicable Legal Requirements and the Final Building II Tenant Improvements Plans and

Specifications. Tenant shall incorporate only new materials and equipment into the construction of the Building II Tenant Improvements. Unless otherwise approved in writing by Landlord, such approval not to be unreasonably withheld, Tenant may only use the general contractors and major subcontractors identified as specified in Exhibit J of the Lease in constructing the Building II Tenant Improvements.

(o) Tenant shall diligently complete construction and equipping of the Building II Tenant Improvements free of mechanic's liens or other liens, and shall defend, indemnify and hold Landlord harmless from and against all claims, actions, losses, costs, damages, expenses, liabilities and obligations, including, without limitation, reasonable legal fees, resulting from (A) the assertion or filing of any claim for amounts alleged to be due to the claimant for labor, services, materials, supplies, machinery, fixtures or equipment furnished in connection with the construction of the Building II Tenant Improvements, (B). the foreclosure of any mechanic's or materialmen's lien that allegedly secures the amounts allegedly owed to the claimant, or (C) any other legal proceedings initiated in connection with that claim.

(p) Tenant shall afford Landlord and its contractors reasonable access to the Building II Tenant Improvements during construction for the purposes of inspecting the Building II Tenant Improvements.

(q) Tenant shall promptly provide Landlord with as-built drawings of the Building II Tenant Improvements upon completion of construction thereof. Landlord shall provide Tenant with as-built drawings of the Building II Landlord Improvements as well as all instructions and operator's manuals pertaining to any equipment installed by Landlord within the Building II within 90 days after the date of Building II Substantial Completion.

(r) Prior to the Building II Rent Commencement Date (defined below), Landlord shall provide Tenant with a certificate from Landlord's architect showing the 'Building Square Footage of the Building II measured in accordance with the method of measuring rentable area in a single tenant building as specified in the Standard Method for Measuring Floor Area in Office Buildings published by the BOMA in ANSI Z65.1-1996 (the **Building II Square Footage Certificate).**

(s) Within 15 days after Building II Substantial Completion occurs, the parties will execute an Acknowledgment Letter substantially in the form of Exhibit E of the Lease (the **Building II Acknowledgment Letter).**

3. Commencement of Rent for Building II.

(a) Tenant must begin paying Base Rent related to Building II beginning 152 days after Building II Substantial Completion (such date being the **Building II Rent Commencement Date).** The Term for the Building II shall end conterminously with the Term of the Lease for the Initial Premises and all other terms and provisions of the Lease will remain the same with respect to Building I and Building II.

(b) If the date of Building II Substantial Completion does not occur by the Building II Delivery Date, solely by reason of Tenant Delays, then the Building I! Rent Commencement Date as. set forth in Section 3(a) of this Amendment will be accelerated one day for each day of Tenant Delay.

4. Base Rent and Additional Rent.

(a) Section 4(a) of the Lease is amended by the following: The Base Rent related to the Building I (the **Building I Base Rent)** is as follows:

Lease Term	Annual Rent	Monthly Rent	Building I Base Rent Rate
As of the date of this Amendment through 6/30/10:	$1,207,500.00	$100,625.00	$16.10 psf
7/1/10 through 6/30/14:	$1,268,250.00	$105,687.50	$16.91 psf
7/1/14 through 06/30/18:	$1,332,750.00	$ 111,062.50	$17.77 psf

(b) The Base Rent related to the Building II (the **Building II Base Rent)** will be as follows:

Lease Term	Annual Rent	Monthly Rent	Building II Base Rent Rate
Years 1 through 4	$ 1,157,291.04	$ 96,440.92	$15.41 psf
Years 5 through 8	.$1,227,885.00	$102,323.75	$16.35 psf
Years 9 through 06/30/18	$ 1,302,984.96	$108,582.08	$17.35 psf

The above Building II Base Rent is based on a Building Square Footage of 75,100 and the final Building II Base Rent will be based on the Building Square Footage as determined by the Building Square Footage Certificate with the Building II Base Rent being verified in the Building II Acknowledgment Letter. The Building II Acknowledgement Letter will also set forth the specific Base Rent increase dates. All references to “Base Rent” refers to the Base Rent for the Premises.

(c) If the Building II Rent Commencement Date occurs on a day other than the first day of a calendar month, then the Building II Base Rent for the month in which the Building II Commencement Date occurs will be equal to the monthly installment amount specified above multiplied by a fraction, the numerator of which is the number of days in the period starting on the Building II Rent Commencement Date and ending on the last day of that month, and the denominator of which is the total number of days in that month.

(d) If the Building II Substantial Completion date and the tender of possession of the Building II Landlord Improvements does not occur by the following dates (each of which is subject to extension by one day for each day of Excused Delay):

(i) the Building II Delivery Date, then Tenant will receive one day of free Building II Base Rent and payment by Landlord for, or reimbursement of all charges for the per diem cost of all utilities, Impositions and other operating costs for the Building II for each day of delay through 285 days after the Date of this Amendment;

(ii) 286 days after the Date of this Amendment, then Tenant will receive 2 days of free Building 11 Base Rent and payment by Landlord for, or reimbursement of, all charges for the per diem cost of all utilities, Impositions and other operating costs for the Building I! for each additional day of delay thereafter until 300 days after the Date of this Amendment; and

(iii) 301 days after the Date of this Amendment, then Tenant will receive 4 days of free Building II Base Rent and payment by Landlord for, or reimbursement of, all charges for the per diem cost of all utilities, Impositions and other operating costs for the Building II for each additional day of delay thereafter until 375 days after the Date of this Amendment; and

(iv) 376 days after the Date of this Amendment, then Tenant may, at its option, by giving notice to Landlord at any time thereafter until Landlord achieves substantial completion of the Landlord Improvements, either:

(A) elect to take over completion of the Building II Landlord Improvements, in which event Tenant shall be entitled to a credit against Building II Base Rent for all reasonable costs incurred by Tenant in completing the Building II Landlord Improvements; or

(B) require Landlord to complete the Building II Landlord Improvements and continue to allow free Building II Base Rent and expense payment (or reimbursement) to accrue as provided in Section 4(d)(iii) of this Amendment

5. Addition of Land. Landlord will, acquire by no later than May 25, 2007, an approximately 5.48 acre tract of land owned by ah affiliate of Landlord and more particularly described on Exhibit O attached to this Amendment (the Additional Land). All references to Land shall hereafter refer to both the parcel described on Exhibit B of the Lease and the Additional Land. Landlord hereby acknowledges that Tenant shall be allowed to utilize the Land to construct an additional number of parking spaces to service the Building and shall also be allowed to sublet such additional parking spaces to third parties on adjacent tracts.

6. Replat of Land. In order to complete Building II, Landlord will replat the Land. Tenant will cooperate with Landlord as necessary to replat the Land. Landlord will be responsible for any 2007 ad valorem taxes related to the Additional Land] and beginning 2008, in addition to Tenant’s existing liability for taxes under the Lease, Tenant will be responsible for all taxes related to the Premises including but not limited to the Additional Land.

7. Expansion Option. The Expansion Option described in Section 12 of the Lease is deleted in its entirety.

8. Second Expansion Option. Tenant will have the following expansion option:

(a) If (i) Tenant is not in default beyond all applicable grace, notice and cure periods in respect of the performance of its obligations arising under the terms of the Lease, (ii) the Lease is in full force and effect in accordance with its terms, (iii) the Initial Term has not been terminated, (iv) the total stockholder equity of Guarantor is not less than $500 Million, and (v) Guarantor's ratio of current assets to current liabilities is not less than 1.0 (taking into account available proceeds under any credit facility in place at the time in question), then Tenant has the option (the Second Expansion Option) to lease an addition to Building II (the Second Expansion) that Landlord will erect in order to enlarge the floor area of Building II. For purposes of calculating the Guarantor's total stockholder equity and current ratio, its most recent published annual report or 10Q on file with the Securities and Exchange Commission - shall be used.

(b) If Tenant exercises the Second Expansion Option, the initial Term for the Premises will automatically be extended so that the initial Term with respect to the Premises and the Second Expansion are coterminous and last for 12 years from the Second Expansion Commencement Date (as defined below). Other than the Base Rent, the terms of this Lease with respect to the Premises during the balance of the 12-year term will remain as stated in the Lease. The Base Rent payable by Tenant with respect to the Premises will remain in effect until the Expiration Date for the Second Expansion, with the Annual Base Rent increasing by 6.12% on the first day of the 13th Lease Year (based in the initial Term) and on the first day of each succeeding fourth Lease Year (i.e., 16th, 20th, etc.).

(c) If Tenant exercises the Second Expansion Option for the Second Expansion which would exceed 50,000 rentable square feet, then:

(i) Landlord is not required to construct any Second Expansion if (x) the size of the Second Expansion would cause the expanded Premises not to comply with all applicable laws, ordinances, and codes, including, without limitation, parking code requirements, or (y) the expanded Premises is not, in Landlord's sole opinion, marketable to a replacement tenant or tenants. If this Subsection 8(c)(0 of this Amendment is applicable, then Landlord shall promptly so notify Tenant. Notwithstanding the foregoing, if Landlord notifies Tenant that Subsection 8(c)(i) of this Amendment is applicable, then Tenant may notify Landlord within 10 business days after receipt of Landlord's notice that Tenant elects to reduce the size of the Second Expansion to 50,000 rentable square feet or less and Landlord will proceed with the construction of the Second Expansion under this Section 8 of this Amendment.

(ii) If Subsection 8(c)0) of this Amendment is not applicable, then Landlord shall notify Tenant of the parking ratio which it will provide for such Second Expansion and the overall parking ratio for the Building, as expanded, and Tenant may elect to reduce the size of such Second Expansion after review of such parking ratios.

(d) If Tenant exercises the Second Expansion Option by giving written notice of exercise to Landlord, then, subject to Subsection 8(c)(i) of this Amendment:

(i) The parties will promptly enter in good faith into an agreement (the **Second Expansion Agreement)** whereby (x) Landlord agrees to construct the Second Expansion within 12 months or less after the execution of such agreement, (y) the parties agree to increase the Base Rent for the Second Expansion in the manner as set forth in this Section 8 of this Amendment, payable during the period from the date Landlord substantially completes construction of the Second Expansion (the **Second Expansion Commencement Date)** and that ends at 11:59 p.m. (Dallas, Texas local time) on either the day prior to the 12th anniversary of the Second Expansion Commencement Date, if the Second Expansion Commencement Date occurs on the first day of a calendar month, or on the day prior to the 12th anniversary of the first day of the first full month following the calendar month in which the Second Expansion Commencement Date occurs, if the Second Expansion Commencement Date does not occur on the first day of a month, whichever is applicable (the **Second Expansion Term).**

(ii) Landlord shall construct the Second Expansion on the same terms as for the construction of the Landlord Improvements (except for Base .Rent as specified in this Section 8), granting Tenant the same Building II Tenant Allowances included in this transaction (on a per rentable square foot basis), except as otherwise specified in Exhibit N of the Amendment.

(iii) If Tenant exercises the Second Expansion, the Base Rent for the Second Expansion will be the amount determined by multiplying the Second Expansion Construction Costs by the sum of (A) the interest rate on 10 year U.S. Treasury Bills as of the Second Expansion Commencement Date plus (B) 400 basis points, with increases in Base Rent of 6.12% of the then applicable Base Rent occurring on the first day of each succeeding fourth Lease Year. Within 30 days following Landlord's substantial completion of the construction of the Second Expansion, Landlord shall furnish to Tenant a detailed itemization of the costs by major construction trade (collectively, the **Second Expansion Construction Costs)** that Landlord incurred in connection with the design and construction of the Second Expansion and copies of invoices; statements, contracts, subcontracts, and other information that" Tenant may reasonably request in order to confirm the accuracy of Landlord's itemization. Landlord and Tenant acknowledge that the Second Expansion Construction Costs will not include the cost of the land.

(iv) Landlord shall construct the Second Expansion in accordance with the Building II Outline Specifications and as specified in Section 2 of this Amendment for Building II. Landlord shall solicit bids from at least 3 contractors appearing on a list of contractors jointly developed and mutually approved by the parties. Landlord shall award the contract for the construction of the Second Expansion to the lowest qualified bidder, subject to Tenant's approval, which will not be unreasonably withheld, conditioned, or delayed. Within 60 days after Tenant exercises the Second Expansion Option, Landlord ' shall provide Tenant with an estimate of the Second Expansion Construction Costs and a proposed construction schedule. If Tenant determines in its sole

discretion that the cost to construct the Second Expansion is too high, or that the construction schedule is unacceptable, Tenant may elect to nullify its election to exercise the Second Expansion at any time prior to Tenant's written approval of the construction budget for the Second Expansion. If, within 60 days after the estimate of Second Expansion Construction Costs and the construction schedule has been received by Tenant, Tenant fails either to approve the estimate of the Second Expansion Construction Costs and the construction schedule or to commence discussions with the Landlord to value engineer the estimate of Second Expansion Construction Costs and/or to refine the construction schedule, then Tenant shall be deemed to have nullified its election to exercise the Second Expansion Option.

(v) On or about the date that Landlord substantially completes the construction of the Second Expansion, Landlord will cause its architect to determine the rentable square footage of the Second Expansion (in accordance with BOMA ANSI Z65.1-1996, for a single tenant building), and the parties will promptly execute and deliver an amendment to this Lease that confirms the addition of the Second Expansion to the Premises, the Second Expansion Commencement Date, and the Base Rent that will be payable through the Expiration Date with respect to the Second Expansion and the Premises.

(vi) As a condition precedent to Landlord's obligation to construct the Second Expansion, Guarantor shall confirm in writing to Landlord that its Lease Guaranty applies to Tenant's lease obligations for the Second Expansion Premises (defined below) pursuant to the Second Expansion Agreement.

(vii) Landlord shall cause the Second Expansion to be constructed and substantially completed and the Second Expansion premises (the **Second Expansion Premises)** to be delivered to Tenant in broom clean condition in accordance with all applicable laws on or before 365 days from the execution and delivery of the Second Expansion Agreement. If substantial completion and tender of possession of the Second Expansion Premises to Tenant does not occur by the following dates, each of which is subject to extension by one day for each day of Excused Delays, but not more than 180 days in the aggregate for all Excused Delays, other than days of Tenant Delay which shall not be so limited:

(A) 365 days from the execution of the Second Expansion Amendment, then commencing on the Second Expansion Commencement Date, Tenant will receive one day of free Base Rent (for the Second Expansion Premises only) for each day of delay through the 425th day after the execution of the Second Expansion Amendment;

(B) the 426th day after the execution of the Second Expansion Amendment, then commencing on the Second Expansion Commencement Date Tenant will receive three days of free Base Rent (for the Second Expansion Premises only) for each day of delay thereafter; and

(C) the 445th day after the execution of the Second Expansion Amendment, then Tenant may, at its option by giving notice to Landlord at any time thereafter until Landlord substantially completes the Second Expansion Premises, elect to take over completion of the Second Expansion in which event Tenant shall be entitled to a credit against Base Rent for all reasonable costs incurred by Tenant in completing the Second Expansion.

(e) In lieu of exercising the Second Expansion Option, Tenant may, at its sole cost and expense, elect to construct the Second Expansion Premises. If Tenant elects to construct the Second Expansion Premises, then:

(i) The design and construction plans for the Second Expansion Premises shall be subject to Landlord's approval, not to be unreasonably withheld.

(ii) Tenant shall cause the Second Expansion Premises to be constructed in a good and workmanlike manner and in accordance with all applicable laws and the approved plans. Subsections 2(n),(o) and (p) of the Lease shall apply to the construction of the Second Expansion Premises by Tenant or its contractor(s).

(iii) On or about the date that Tenant substantially completes the construction of the Second Expansion Premises, Landlord will cause its architect to determine the rentable square footage of the expansion (in accordance with BOMA ANSI 265.1-1996 for a single tenant building).

(iv) The term of the Lease shall not be extended.

(v) Base Rent shall not be increased.

(vi) Tenant shall modify its property insurance to include builder's risk insurance as reasonably required by Landlord.

(f) Upon completion and acceptance by Tenant of same, the Second Expansion Premises shall be deemed to be part of the Building and the Premises, and shall be owned by the Landlord.

9. Utilities. With respect to Building II, Tenant shall contract for and pay for all utilities and other services furnished to Building II commencing on the Building II Substantial . Completion date.

10. Insurance. With respect to Building II, commencing on the latter of (a) the Building II Substantial Completion date, or (b) delivery of the Building II Landlord Improvements to Tenant, and continuing for the balance of the Term, Tenant will comply with the insurance requirements in Section 16 of the Lease.

11. Landlord's Warranties. Landlord represents and warrants that Landlord has full right and lawful authority to enter into and perform the Landlord's obligations under this Lease for-the full term hereof and has good and indefeasible title to Land (and will obtain good and indefeasible title to the Additional Land prior to commencing construction of the Building II

Landlord Improvements) in fee simple, free and clear of all contracts, leases, tenancies, agreements, easements, restrictions upon use or occupancy or other restrictions, violations, mortgages and other liens, encumbrances or exceptions to title of any nature whatsoever affecting the Land (and Additional Land upon its acquisition), except for the matters specifically set forth on Exhibit K attached to the Lease and Exhibit K-2 attached to this Amendment.

12. Subordination, Attornment & Non-Disturbance. At Tenant's request, Landlord shall deliver to Tenant a Subordination, Non-Disturbance and Attornment Agreement executed by the holder of any mortgage listed on Exhibit K or Exhibit K-2 in recordable form and approved by Tenant.

13. Compliance with Environmental Laws.

(a) Landlord warrants and represents to Tenant that, to Landlord's knowledge, the Additional Land and the Building II Landlord Improvements are, and covenants that upon the Building II Rent Commencement Date will be, in full compliance with all Environmental Laws. Except as set forth in Section 13(c) of this Amendment, Landlord shall take at its expense all action necessary, including all remediation and clean up work, to ensure that the Building II Premises comply at all times with all Environmental Laws and that the Building II Premises are safe for use and occupancy at all times.

(b) Except as set forth in Section 13(c) of this Amendment, Landlord shall defend, indemnify and save Tenant and its directors, officers, agents, employees and contractors harmless from and against all claims, obligations, demands, actions, proceedings, judgments, losses, damages, liabilities, fines, penalties and expenses (including, without limitation, sums paid on settlement of claims, reasonable legal fees, and reasonable consultant and expert fees and expenses) that any one or more of them may sustain in connection with any failure of the Building II Landlord Improvements to comply with Environmental Laws or in connection with any environmental condition affecting the Building II Premises not caused by Tenant's use and occupancy of the Building II Premises or the construction and maintenance of the Building II Tenant Improvements.

(c) Except as provided in Sections 13(a) and (b) above, Tenant shall timely comply at its cost and expense with all rules, requirements, orders, directives, ordinances and regulations applicable to Tenant's use and occupancy of the Building II .Premises or the construction and maintenance of the Building II Tenant Improvements, including, without limitation, the Environmental Laws, and shall defend, indemnify and hold Landlord and its partners and their respective members, directors, officers, agents, employees, and contractors harmless from and against all claims, obligations, demands, actions, proceedings, judgments, losses, damages, liabilities, fines, penalties and expenses (including, without limitation, sums paid on settlement of claims, reasonable legal fees, and reasonable consultant and expert fees and expenses) that any one or more of them may sustain by virtue of any environmental condition that Tenant's use and occupancy of the Building II Premises or the construction and maintenance of the Building II Tenant Improvements causes and the continued existence of which violates the Environmental Laws.

(d) Notwithstanding the foregoing apparently to the contrary, if any environmental condition encompassed within this Section 13 and not attributable to Tenant's use and occupancy of the Building II Premises or the construction and maintenance of the Building II Tenant Improvements is not susceptible to being corrected within 180 days after the date of its discovery or if Landlord fails within 180 days after the date of its discovery to correct a condition that is susceptible to being corrected within that period of time, Tenant may terminate this Amendment by the delivery of written notice to Landlord at least 30 days in advance of the effective date of termination specified in that notice. Further, if the correction of any environmental condition not attributable to Tenant's use and occupancy of the Building II Premises or the construction and maintenance of the Building II Tenant Improvements partially or totally impairs Tenant's use of the Building II Premises, Tenant's obligation to pay Building II Base Rent will abate during the period the corrective activity takes place in proportion to the diminished utility of the Building II Premises in the conduct of Tenant's business.

(e) The indemnities of Landlord and Tenant contained in this Section 13 will hot extend to loss of business, lost rentals, diminution in property value, or incidental, indirect or consequential damages.

(f) The provisions of this Section 13 survive the expiration of the Term or the earlier termination of this Lease.

(g) Tenant shall not cause or permit any Hazardous Substances to be brought upon, kept or used in or about the Building II Premises or Building II, without the prior written consent of Landlord, which consent is in Landlord's sole discretion; but Landlord's consent is not required for the use at Building II of cleaning supplies, toner for photocopying machines, and other similar materials, in containers and quantities reasonably necessary for and consistent with normal ordinary use by Tenant at Building II.

14. Compliance with Public Accommodation Laws.

(a) Landlord warrants that, when constructed, the Building II Landlord Improvements will comply with all Public Accommodation .Laws, including, without limitation, the requirements of the Americans with Disabilities Act (42 U.S.C. § 12101) and all rules and regulations made on the basis of authority granted in that Act, and .covenants that the portions of the Building II Landlord Improvements, Landlord is required to maintain under Section 8(a) of the Lease will remain in compliance with all Public Accommodation Laws throughout the Term.

(b) Tenant warrants that, when constructed, the Building II Tenant Improvements will comply with all Public Accommodation Laws, and covenants that the Building II Tenant Improvements and all portions of the Building II Landlord Improvements Tenant is required to maintain under Section 8(c) of the Lease will remain in compliance with all Public Accommodation Laws throughout the Term.

(c) Landlord shall promptly complete any and all alterations, modifications or the-Building II Landlord Improvements, including, without limitation, remodeling, renovation, rehabilitation, reconstruction, changes or rearrangements in structure and changes or rearrangements in wall configuration or full-height partitions, that are or

become necessary with respect to the Building II Landlord Improvements in order to comply with all Public Accommodation Laws. Tenant shall promptly complete any and all alterations, modifications or the Building II Tenant Improvements, including, without limitation, remodeling, renovation, rehabilitation, reconstruction, changes or rearrangements in structure and changes or rearrangements in wall configuration or full-height partitions, that are or become necessary in order to comply with all Public Accommodation Laws with respect (i) to the Building II tenant Improvements for any reason or (ii) to the Building II Premises solely because of Tenant's particular use of the Building II Premises.

(d) Landlord shall use commercially reasonable efforts to accomplish any and all alterations, modifications or improvements undertaken in accordance with this Section 14 in a manner that will not substantially interfere with Tenant's use or possession of the Building II Premises.

15. Notice. Landlord's addresses for notice as set forth in Section 35(j) of the Lease are deleted in its entirety and replaced with the following:

If to Landlord:

KDC-Regent I Investments, LP
8115 Preston Road, Suite 700
Dallas, Texas 75225
Attention: Scott Ozymy

With a copy to:

Munsch Hardt Kopf & Harr, PC
3800 Lincoln Plaza
500 N. Akard
Dallas, Texas 75201
Attention: David Coligado

Tenant's address for notice is also deleted in its entirety and replaced with the following:

If to Tenant:

Epsilon Data Management, LLC
601 Edgewater Drive
Wakefield, Massachusetts 01880
Attention: Laura Marshall

With a copy to:

Epsilon Data Management, LLC
4301 Regent Boulevard Irving, Texas 75063
Attention: Sherry M. Jacques, VP, Legal Counsel

And with a copy to:

Alliance Data Systems Corporation
17655 Waterview Parkway Dallas, Texas 75252
Attention: General Counsel

16. Brokers. Each party represents to the other that the only broker used in connection with the Lease and Amendment is C.B. Richard Ellis, whose commission Landlord shall pay, pursuant to a separate written agreement. Each party shall defend and indemnify the other from and against any claims, demands and actions brought by any broker or other finder to recover a brokerage commission or any other damages on the basis of alleged dealings with the indemnifying party contrary to the foregoing representation.

17. Execution of Amendment. Except as expressly modified by this Amendment, the Lease is in full force and effect as originally written and all of the terms, covenants and conditions of the Lease are hereby ratified and confirmed and will remain in full force and effect. This Amendment may be executed in multiple counterparts, each of which shall constitute an original but when taken together constitute one and the same instrument. Facsimile signatures or digital images of signatures constitute originals for all purposes under this Amendment.

[Signature Page To Follow]

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

TENANT:

EPSILON DATA MANAGEMENT, LLC,
a Delaware limited liability company
(formerly known as Epsilon Data Management, Inc., a Delaware corporation)

By: 
Name: Denise Parent
Title: Vice President

LANDLORD:

KDC-REGENT I INVESTMENTS, LP,
a Texas limited partnership

By: KDC-Regent I Investments GP, LLC,
a Texas limited liability company, its general partner

By: Koll Development Company I, L.P.,
a Delaware limited partnership, its sole member

By: SWV.LLC,
a Delaware limited liability company, its general partner

By: Tobin C. Grove,
President

CONSENT OF GUARANTOR

By execution below, the undersigned consents to the terms of the foregoing Amendment and confirms that the Lease Guaranty executed May 12, 2005, executed by the undersigned for the benefit of Landlord remains in full force and effect and applies to all of Tenant's obligations under the Lease as amended by the foregoing Amendment.

GUARANTOR:

ALLIANCE DATA SYSTEMS CORPORATION,
a Delaware corporation

By: _____
Name: Michael D. Kubic
Title : Sr. Vice President, Corporate Controller and CAO

EXHIBIT K-2

ADDITIONAL TITLE EXCEPTIONS

1. Easement granted by Regent Center, Ltd., to Texas Power & Light Company, filed 10/15/1986, recorded in Volume 86201, Page 3613, Deed Records of Dallas County, Texas.
2. Easement granted by Regent Center, Ltd., to Texas Power & Light Company, filed 9/25/85, recorded in Volume 85188, Page 5589, Deed Records of Dallas County, Texas.
3. Limited or lack of access to road or highway abutting subject property as set forth in . instrument filed 03/04/1974, recorded in Volume 75045, Page 62, Deed Records of Dallas County, Texas.
4. Easements and other matters on the Preliminary/Final Plat of KDC-Epsilon Addition, Lot 1 and Lot 2, Block A, an Addition to the City of Irving, Dallas County, Texas, recorded in Volume 2005099, Page 00144, of the Plat Records of Dallas, County, Texas.
5. Easements and other matters on the Replat of KDC-Epsilon Addition, Lot 1 and Lot 2, Block A, an Addition to the City of Irving, Dallas County, Texas, to be recorded in the Plat Records of Dallas, County, Texas.
6. Grant of Perpetual Easements and Declaration of Restrictions granted by KDC-Regent II. Investments, L.P. in favor of Clear Channel Outdoor, Inc. dated April 3, 2007 and recorded under Clerk’s File Number 20070119612 of the Deed Records of Dallas County, Texas.
7. Deed of Trust and Security Agreement executed by Landlord, as Grantor, in favor of Mark Crawford, Trustee, for the benefit of Guaranty Bank, as Beneficiary, and related loan documents evidencing a construction loan obtained by Landlord and encumbering the Land and Additional Land.

EXHIBIT L

SITE PLAN, CORE PLAN AND ELEVATIONS FOR EXPANDED PREMISES

(see attached)

EXHIBIT L

EXHIBIT M

EXPANSION OUTLINE SPECIFICATIONS

(see attached)

EXHIBIT M

EXHIBIT N

BUILDING II TENANT ALLOWANCES

1. Building II.

(a) Landlord shall provide the following Building II Tenant Allowances to Tenant for Building II:

(i)	Tenant Finish Allowance	$1,877,500
(ii)	Interior Architectural Allowance	$ 262,850
(iii)	Moving Expenses	$ 150,200
(iv)	Phone/Data Cabling	$ 375,500
(v)	Security System	$ 99,883
(vi)	Tenant CM Fees	$ 150,200
(vii)	Architectural Test Fit	$ 11,265
(viii)	Signage	$ 10,000
(ix)	Flagpoles	$ 10,000
(x)	Plaza/Courtyard Allowance	$ 70,000
(xi)	Accepted Shell Changes Credit	$ 96,598
(xi)	Ad Valorem taxes Allowance	$ 39,565
	TOTAL:	$3,153,561

(b) Tenant, in its sole discretion, may reallocate the Building Tenant Allowances among the line items specified above, but the aggregate total of the Building II Tenant Allowances may not exceed $3,056,963, however, if the Building Square Footage Certificate indicates that the Building II is more or less than 75,100 rentable square feet, the following Building II Tenant Allowances will be adjusted as follows:

(i)	Tenant Finish Allowance	$ 25 psf
(ii)	Interior Architectural Allowance	$3.50 psf
(iii)	Moving Expenses	$ 2 psf
(iv)	Phone/Date Cabling	$ 5 psf
(v)	Security System	$1.33 psf
(vi)	Tenant CM Fees	$ 2 psf
(vii)	Architectural Test Fit	$0.15 psf

(c) Tenant shall submit draws against the Building II Tenant Allowances to Landlord no later than the 5th day of each calendar month for expenses incurred by Tenant during the prior calendar month. Each draw must include copies of receipts, invoices, and other backup materials reasonably satisfactory to Landlord to confirm the expenses for which Tenant is requesting payment. Landlord may inspect, audit, and copy Tenant's books and records related to the Building II Tenant Allowances at Tenant's home office any time during Tenant's normal business hours upon at least 48 hours prior written notice. Tenant shall retain its books and records related to the Building II Tenant Allowances at its home office for at least 2 years after final completion of the Building II Tenant improvements.

(d) For the portions of each draw representing payments for Building II Tenant Improvements:

(i) The draw must include conditional partial lien releases in a form reasonably approved by Landlord from Tenant's contractor and subcontractors for the payments being requested by the contractor and each subcontractor in the current draw and unconditional partial lien releases in a form reasonably approved by Landlord from Tenant's contractor and subcontractors for the amounts paid by Landlord under the prior draw.

(ii) Landlord may retain 10% of the amount of each draw representing payments for Building II Tenant Improvements until 30 days after final completion of the Building II Tenant Improvements. Tenant must provide Landlord conditional final lien releases in a form reasonably approved by Landlord from Tenant's contractor and subcontractors in order to receive the retainage held by Landlord in connection with the Building II Tenant Improvements.

(e) Landlord shall fund the amount of each draw reasonably approved by Landlord within 20 days after receipt by Landlord of the invoices and other backup materials reasonably requested by Landlord; but Landlord may disapprove and withhold funding of any draw requested by Tenant if:

(i) the draw or any applicable backup information is not complete to Landlord's reasonable satisfaction;

(ii) any mechanics' or materialmen's lien or other lien has been filed against the Land or the Building by any of Tenant's contractors, subcontractors, laborers, suppliers, or others, or Landlord has received any notice from any of them indicating an intent to file any such lien, and Tenant has not bonded around the lien or otherwise posted security with Landlord reasonably satisfactory to Landlord related thereto; or

(iii) An Event of Default has occurred under the Lease and is continuing, either at the time of submission or funding of the draw.

(f) If Tenant elects not to use all of the Building II Tenant Allowances, Tenant may elect to receive a reduction in the annual Building II Base Rent based on .the aggregate amount of any unused Building II Tenant Allowances by giving written notice specifying its election to Landlord no later than 45 days after final completion of the Building II Tenant Improvements The reduction will be in an amount equal to $8,002.50 for each $100,000 of unused Building II Tenant Allowances (or pro rata portion thereof on a proportionate basis). If there are unused Building II Tenant Allowances and Tenant timely notifies Landlord that Tenant elects to receive a reduction in the annual Building II- Base Rent, then Landlord shall promptly prepare, execute, and deliver to Tenant an appropriate amendment to the Lease specifying the annual Base Rent adjustment determined by Landlord under this Paragraph. Tenant shall promptly execute the amendment and return it to Landlord. If Tenant does not use all of the Building II Tenant Allowances within 45 days after the Building II Rent Commencement Date, then any unused balance of the Building II Tenant Allowances shall be applied against Base Rent or additional rent.

EXHIBIT N

2. Second Expansion Option.

If Tenant exercises the Second Expansion Option under Section 8 of this Amendment, Landlord will provide Tenant with the following Building II Tenant Allowances (on a PSF basis):

(i)	Tenant Finish Allowance	$ 25.00 psf
(ii)	Space Planning	$ 3.50 psf
(iii)	Phone / Data Cabling	$ 5.00 psf
(iv)	Tenant CM Fees	$ 2.00 psf
	Total-	$ 35.50 psf

The above amounts will increase 1.5% per year commencing one year after the Building II Rent Commencement Date.

EXHIBIT N

EXHIBIT O

LEGAL DESCRIPTION OF ADDITIONAL LAND

Being a 5.48 acres tract of land situated in the Cordelia Bowen, Abstract No. 56 in the City of Irving, Dallas County, Texas and being all of Lot 2, Block A, KDC-EPSILON Addition, an addition to the City of Irving according to the plat thereof recorded in Volume 2005099, Page 144, Map Records, Dallas county, Texas and being a portion of that certain 141.5131 tract of land conveyed to The Travelers Insurance Company by deed as recorded in Volume 91244, Page 4044, Deed Records, Dallas County, Texas, and being more particularly described as follows:

Beginning at a 1/2 inch iron rod for corner at the southwestly line of Interstate Highway 635 (L.B.J. Freeway) (a variable width right of way), same point being the most northerly corner of said 141.5131 The Travelers Insurance Company Tract, same point being the east corner of a tract of land conveyed to Ray Ruth Hunt and H.L. Hunt by deed as recorded in Volume 89010, Page 4699, Deed Records, Dallas County, Texas, same point also being the north corner of said Lot 2, Block A;

Thence South 35 degrees 44 minutes 40 seconds East, along the southwesterly line of said Interstate Highway 635 (L.B.J. Freeway), a distance of 476.99 feet to a 1/2 inch from rod found for corner, said point being the east corner of said Lot 2, Block A and being the north corner of Lot 1, Block A, KDC-EPSILON Addition, an addition to the City of Irving, according to the plat thereof recorded in Volume 2005099, Page 144, Map Records, Dallas County, Texas;

Thence South 54 degrees 15 minutes 20 seconds West, departing southwesterly line of said Interstate Highway 635 (L.B.J. Freeway) and along the common line of said Lot 1 and Lot 2, said point being the south corner of said Lot 1 and the west corner of said Lot 2, said point being in the northerly line of Regent Boulevard (a 100 foot right of way) according to the plat thereof recorded in Volume 85244, Page 3298, Map Records, Dallas County, Texas;

Thence North 35 degrees 44 minutes 40 seconds West, along the northerly line of said Regent Boulevard, a distance of 476.99 feet to a 1/2 inch iron rod found for corner, said point being the south corner of said Ray Ruth Hunt and H.L. Hunt tract and being the west corner of said Lot 2;

Thence North 54 degrees 15 minutes 20 seconds east, departing northerly line of said Regent Boulevard, a distance of 500.00 feet to the Point of Beginning and containing 238,497 square feet or 5.48 acres of computed land.

Exhibit 10.20

STANDARD FORM OF LOFT LEASE
The Real Estate Board of New York

AGREEMENT OF LEASE, made as of this 15thday of March in the year 2007, between
11 West 19th Associates LLC c/o Kaufman Management Co. 450 7th Avenue, New York, NY 10123 party of the first part, hereinafter referred to as OWNER, and Epsilon Data Management LLC with offices at 601 Edgewater Dr., Mailstop 5/406 party of the second part, hereinafter referred to as TENANT, Wakefield, MA 01880.

WITNESSETH: Owner hereby leases to Tenant and Tenant hereby hires from Owner the entire 9th and entire 10l1 floors (the "premises" or the "demised premises") in the building known as 11 West 19th Street New York, NY in the Borough of Manhattan, City of New York, for the term of Eleven (11) years (or until such term shall sooner cease and expire as hereinafter provided) to commence on the Commencement Date, herein defined, and to end on January 31, 2018 (the "Expiration Date"), and both dates inclusive, at the annual base rental rate as set forth in Article 41 of rider made part of this lease, which Tenant agrees to pay in lawful money of the United States which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, in equal monthly installments in advance on the first day of each month during said term, at the office of Owner or such other place as Owner may designate, without any setoff or deduction whatsoever, except as set forth herein. Tenant shall pay the first (1st) monthly installment of annual lease rent on the execution hereof. A portion of the building which includes the demised premises is also known as 16 West 20th Street and Tenant shall have right, vis a vis Owner, to use 16 West 20th Street as its address.

The parties hereto, for themselves, their heirs, distributes, executors, administrators, legal representative, successors and assigns, hereby covenant as follows:

Rent: 1. Tenant shall pay the rent as above and as hereinafter provided.

Occupancy: 2. Tenant shall use and occupy the demised premises for general office use.

provided such use is in accordance with the certificate of occupancy for the building, if any, and for no other purpose.

Alterations:

3. Tenant shall make no changes in or to the demised premises of any nature without Owner's prior written consent. Subject to obtaining the prior written consent of Owner and to the provisions of this article, which consent shall not be unreasonably withheld, delayed or conditioned. Tenant, at Tenant's expense, may make alterations, installations, additions or improvements which are nonstructural and which do not affect utility services or plumbing and electrical lines, in or to the interior of the demised premises using contractors or mechanics first reasonably approved in each instance by Owner. Tenant shall, at its expense, before making any alterations, additions, installations or improvements obtain all permits, approvals and certificates required by any governmental or quasi-governmental bodies and (upon completion) certificates of final approval thereof, and shall deliver promptly duplicates of all such permits, approvals and certificates to Owner. Tenant agrees to carry, and will cause Tenant's contractors and subcontractors to carry, such worker's compensation, commercial general liability, personal and property damage insurance as Owner may reasonably require. If any mechanic's lien is filed against the demised premises, or the building of which the same forms a part, for work claimed to have been done for, or materials furnished to, Tenant, whether or not done pursuant to this article, the same shall be discharged by Tenant within thirty (30) days after notice to Tenant, at Tenant's expense, by payment or filing a bond as permitted by law. All fixtures and all paneling, partitions, railings and like installations installed in the demised premises at any time, either by Tenant or by Owner on Tenant's behalf, shall, upon installation, become the property of Owner and shall remain upon and be surrendered with the demised premises unless Owner, by notice to Tenant no later than one hundred (100) days prior to the date fixed as the termination of this lease, elects to relinquish Owner's right thereto and to have them removed by Tenant, in which event the same shall be removed from the demised premises by Tenant prior to the expiration of the lease, at Tenant's expense except that Tenant shall have no obligation to remove the same unless they (a) are not generally usable by other office tenants and (b) Owner so indicates to Tenant in writing at the time Owner approves the plans for the installation thereof. Nothing in this article shall be construed to give Owner title to, or to prevent Tenant's removal of, trade fixtures, moveable office furniture and equipment, but upon removal of same from the demised premises, or upon removal of other installations as may be required by Owner, Tenant shall immediately, and at its expense, repair and restore the demised premises to the condition existing prior to any such installations (normal wear and tear excepted), and repair any damage to the demised premises or the building due to such removal. All property permitted or required to be removed by Tenant at the end of the term remaining in the demised premises after Tenant's removal shall be deemed abandoned and may, at the election of Owner, either be retained as Owner's property or removed from the demised premises by Owner, at Tenant's expense.

Repairs:

4. Owner shall keep in good repair and condition the exterior of and the public portions of the building and property on which it is located including, without limitation, roofs and exterior windows (except those forming part of the 20th Street elevator lobby), all structural elements, and all building plumbing, heating and life safety systems, and shall keep all sidewalks free of snow and ice. Owner's obligations hereunder and under Article 31 shall be provided in a manner consistent with comparable office

buildings in the area. Tenant shall, throughout the term of this lease, take good care of the demised premises including the bathrooms and lavatory facilities (if the demised premises encompass the entire floor of the building), the interior windows and window frames and the exterior windows forming a part of the 20th Street elevator lobby, and the fixtures and appurtenances therein, and at Tenant's sole cost and expense promptly make all repairs thereto and to the building, whether structural or non-structural in nature, caused by, or resulting from, the carelessness, omission, neglect or improper conduct of Tenant, Tenant's servants, employees, invitees, or licensees, and whether or not arising from Tenant's conduct or omission, when required by other provisions of this lease, including article 6. Tenant shall also repair all damage to the building and the demised premises caused by the moving of Tenant's fixtures, furniture or equipment. All the aforesaid repairs shall be of quality or class equal to the original work or construction. If Tenant fails, after fifteen (15) days notice, to proceed with due diligence to make repairs required to be made by Tenant, the same may be made by Owner at the expense of Tenant, and the expenses thereof incurred by Owner shall be collectible, as additional rent, after rendition of a bill or statement therefore. If the demised premises be or become infested with vermin, Tenant shall, at its expense, cause the same to be exterminated. Tenant shall give Owner prompt notice of any defective condition in any plumbing, heating system or electrical lines located in the demised premises and following such notice, Owner shall remedy the condition with due diligence, but at the expense of Tenant if repairs are necessitated by damage or injury attributable to Tenant, Tenant's servants, agents, employees, invitees or licensees as aforesaid. Except as specifically provided in Article 9 or elsewhere in this lease, there shall be no allowance to Tenant for a diminution of rental value and no liability on the part of Owner by reason of inconvenience, annoyance or injury to business arising from Owner, Tenant or others making or failing to make any repairs alterations, additions or improvements in or to any portion of the building or the demised premises, or in and to the fixtures, appurtenances or equipment thereof. It is specifically agreed that Tenant shall not be entitled to any setoff or reduction of rent by reason of any failure of Owner to comply with the covenants of this or any other article of this lease except as otherwise provided herein. Tenant agrees, subject to the foregoing sentence, that Tenant's sole remedy at law in such instance will be by way of an action for damages for breach of contract. The provisions of this Article 4 with respect to the making of repairs shall not apply in the case of fire or other casualty with regard to which Article 9 hereof shall apply.

Window Cleaning:

5. Tenant will not clean nor require, permit, suffer or allow any window in the demised premises to be cleaned from the outside in violation of Section 202 of the New York Sate Labor Law or any other applicable law, or of the Rules of the Board of Standards and Appeals, or of any other Board or body having or asserting jurisdiction.

Requirements of Law, Fire Insurance, Floor Loads:

6. Prior to the commencement of the lease term, if Tenant is then in possession, and at all times thereafter, Tenant shall at Tenant's sole cost and expense, promptly comply with all present and future laws, orders and regulations of all state, federal, municipal and local governments, departments, commissions and boards and any direction of any public officer pursuant to

law, and all orders, rules and regulations to the Insurance Services Office, or any similar body which shall impose any violation, order or duty upon Owner or Tenant with respect to the demised premises, whether or not arising out of Tenant's use or manner of use thereof, or, with respect to the building, if arising out of Tenant's particular use or manner of use of the demised premises of the building (including the use permitted under the lease). Except as provided in Article 30 hereof, nothing herein shall require Tenant to make structural repairs or alterations unless Tenant has, by its particular manner of use of the demised premises or method of operation therein, violated any such laws, ordinances, orders, rules, regulations or requirements with respect thereto. Tenant shall not do or permit any act or thing be done in or to the demised premises which is contrary to law, or which will invalidate or be in conflict with public liability, fire or other policies of insurance at any time carried by or for the benefit of Owner, or which shall or might subject Owner to any liability or responsibility to any person, or for property damage. Tenant shall not keep anything in the demised premises except as now or hereafter permitted by the Fire Department, Board of Fire Underwriters, Fire Insurance Rating Organization and other authority having jurisdiction, and then only in such manner and such quantity so as not to increase the rate for fire insurance applicable to the building, nor use this demised premises in a manner which will increase the insurance rate for the building or any property located therein over that in effect prior to the commencement of Tenant's occupancy. If by reason of failure to comply with the foregoing the fire insurance rate shall, at the beginning of this lease or at any time thereafter, be higher than it otherwise would be, then Tenant shall reimburse Owner, as additional rent hereunder for that portion of all fire insurance premiums thereafter paid by Owner which, shall have been charged because of such failure by Tenant. In any action or proceeding wherein Owner and Tenant are parties, a schedule or "make-up" or rate for the building or demised premises issued by a body making fire insurance rates applicable to said premises shall be conclusive evidence of the facts therein stated and of the several items and charges in the fire insurance rates then applicable to said premises. Tenant shall not place a load upon any floor of the demised premises exceeding the floor load per square foot area which it was designed to carry and which is allowed by law. Owner reserves the right to reasonably prescribe the weight and position of all safes, business machines and mechanical equipment. Such installations shall be placed and maintained by Tenant, at Tenant's expense, in settings sufficient, in Owner's reasonable judgment, to absorb and prevent vibration, noise and annoyance.

Subordination:

7. This lease is subject and subordinate to all ground or underlying leases and to all mortgages which may now or hereafter affect such leases or the real property of which the demised premises are a part, and to all renewals, modifications, consolidations, replacements and- extensions of any such underlying leases and mortgages. This clause shall be self-operative and no further instrument or subordination shall be required by any ground or underlying lessor or by any mortgagee, affecting any lease or the real property of which the demised premises are a part. In confirmation of such subordination, Tenant shall from time to time execute promptly any certificate that Owner may request.

Tenant’s Liability Insurance Property Loss, Damages, Indemnity:

8. Owner or its agents shall not be liable for any damage to property of Tenant or of others entrusted to employees of the building, nor for loss of, or damage to, any property of Tenant by theft or otherwise, nor for any injury or damage to persons or property resulting from any cause of whatsoever nature, unless caused by, or due to, the negligence or willful acts of Owner, its agents, servants or employees; Owner or its agents, shall not be liable for any damage caused by other tenants or persons in, upon or about said building or caused by operations in connection of any private, public or quasi public work. If at any time any windows of the demised premises are temporarily closed, darkened or bricked up (or permanently closed, darkened or bricked up, if required by law) for any reason whatsoever including, but not limited to, Owner’s own acts, Owner shall not be liable for any damage Tenant may sustain thereby, and Tenant shall not be entitled to any compensation therefore nor abatement or diminution of rent, nor shall the same release Tenant from its obligations hereunder nor constitute an eviction. Tenant shall indemnify and save harmless Owner against and from all liabilities, obligations, damages, penalties, claims, costs and expenses for which Owner shall not be reimbursed by insurance, including reasonable attorney’s fees, paid, suffered or incurred as a result of any breach by Tenant, Tenant’s agents, contractors, employees, invitees, or licensees, of any covenant or condition of this lease, or the carelessness, negligence or improper conduct of Tenant, Tenant’s agents, contractors, employees, invitees or licensees. Tenant’s liability under this lease extends to the acts and omissions of any subtenant, and any agent, contractor, employee, invitee or licensee of any subtenant. In case any action or proceeding is brought against Owner by reason of any such claim, Tenant, upon written notice from Owner, will, at Tenant’s expense, resist or defend such action or proceeding by counsel approved by Owner in writing, such approval not to be unreasonably withheld.

Destruction, Fire and Other Casualty:

9. (a) If the demised premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give immediate notice thereof to Owner and this lease shall continue in full force and effect except as hereinafter set forth, (b) If the demised premises are partially damaged or rendered partially unusable by fire or other casualty, the damages thereto shall be repaired by, and at the expense of, Owner, and the rent and other items of additional rent, until such repair shall be substantially completed, shall be apportioned from the day following the casualty according to the part of the demised premises which is usable, (c) If the demised premises are totally damaged or rendered wholly unusable by fire or other casualty, then the rent and other items of additional rent as hereinafter expressly provided shall be proportionately paid up to the time of the casualty and thenceforth shall cease until the date when the demised premises shall have been repaired and restored by Owner (or sooner reoccupied in part by Tenant then rent shall be apportioned as provided in subsection (b) above), subject to Owner’s right to elect not to restore the same as hereinafter provided, (d) If the demised premises are rendered wholly unusable or (whether or not the demised premises are damaged in whole or in part) if the building shall be so damaged that Owner shall decide to demolish it or to rebuild it, then, in any of such events, Owner may elect to terminate this lease by written notice to Tenant, given within ninety (90) days after such fire or casualty, or thirty (30) days after adjustment of the insurance claim for such fire or casualty, whichever is sooner, specifying a date for the expiration of the lease, which date shall not be more than sixty (60) days after the giving of such notice, and

upon the date specified in such notice the term of this lease shall expire as fully and completely as if such date were the date set forth above for the termination of this lease, and Tenant shall forthwith quit, surrender and. vacate the demised premises without prejudice however, to Owner's rights and remedies against Tenant under the lease provisions in effect prior to such termination, and any rent owing shall be paid up to such date, and any payments of rent made by Tenant which were on account of any period subsequent to such date shall be returned to Tenant. Unless Owner shall serve a termination notice as provided for herein, Owner shall make the repairs and restorations under the conditions of (b) and (c) hereof, with all reasonable expedition, subject to delays due to adjustment of insurance claims, labor troubles and causes beyond Owner's control. After any such casualty, Tenant shall cooperate with Owner's restoration by removing from the demised premises as promptly as reasonably possible, all of Tenant's salvageable inventory and movable equipment, furniture, and other property. Tenant's liability for rent shall resume five (5) days after written notice from Owner that the demised premises are substantially ready for Tenant's occupancy, (e) Nothing contained hereinabove shall relieve Tenant from liability that may exist as a result of damage from fire or other casualty. Notwithstanding anything contained to the contrary in subdivisions (a) through (e) hereof, including Owner's obligation to restore under subparagraph (b) above, each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty, and to the extent that such insurance is in force and collectible, and to the extent permitted by law, Owner and Tenant each hereby releases and waives all right of recovery with respect to subparagraphs (b), (d) and (e) above, against the other or any one claiming through or under each of them by way of subrogation or otherwise. The release and waiver herein referred to shall be deemed to include any loss or damage to the demised premises and/or to any personal property, equipment, trade fixtures, goods and merchandise located therein. The foregoing release and waiver shall be in force only if both releasors' insurance policies contain a clause providing that such a release or waiver shall not invalidate the insurance. If, and to the extent, that such waiver can be obtained only by the payment of additional premiums, then the party benefiting from the waiver shall pay such premium within ten (10) days after written demand or shall be deemed to have agreed that the party obtaining insurance coverage shall be free of any further obligation under the provisions hereof with respect to waiver of subrogation. Tenant acknowledges that Owner will not carry insurance on Tenant's furniture and/or furnishings or any fixtures or equipment, improvements, or appurtenances removable by Tenant, and agrees that Owner will not be obligated to repair any damage thereto or replace the same, (f) Tenant hereby waives the provisions of Section 227 of the Real Property Law and agrees that the provisions of this article shall govern and control in lieu thereof.

Eminent Domain:

10. If the whole or any part of the demised premises shall be acquired or condemned by Eminent Domain for any public or quasi public use or purpose, then and in that event, the term of this lease shall cease and terminate from the date of title vesting in such proceeding and Tenant shall have no claim for the value of any unexpired term of said lease. Tenant shall have the right to make an independent claim to the condemning authority for the value of Tenant's moving expenses and personal

property, trade fixtures and equipment, provided Tenant is entitled pursuant to the terms of the lease to remove such property, trade fixtures and equipment at the end of the term, and provided further such claim does not reduce Owner's award.

Assignment Mortgage, Etc.:

11. Tenant, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, expressly covenants that it shall not assign, mortgage or encumber this agreement, nor underlet, or suffer or permit the demised premises or any part thereof to be used by others, without the prior written consent of Owner in each instance. Transfer of the majority of the stock of a corporate Tenant or the majority interest in any partnership or other legal entity which is Tenant shall be deemed an assignment. If this lease be assigned, or if the demised premises or any part thereof be underlet or occupied by anybody other than Tenant, Owner may, after default by Tenant, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, undertenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Owner to an assignment or underletting shall not in any way be construed to relieve Tenant from obtaining the express consent in writing of Owner to any further assignment or underlining.

Electric Current:

12. Rates and conditions in respect to submetering or rent inclusion, as the case may be, to be added in RIDER attached hereto. Tenant covenants and agrees that at all times its use of electric current shall not exceed the capacity of existing feeders to the building or the risers or wiring installation and Tenant may not use any electrical equipment which, in Owner's opinion, reasonably exercised, will overload such installations or interfere with the use thereof by other tenants of the building. The change at anytime of the character of electric service shall in no way make Owner liable or responsible to Tenant, for any loss, damages or expenses which Tenant may sustain.

Access to Premises:

13. Owner or Owner's agents shall have the right (but shall not be obligated) to enter the demised premises in any emergency at any time, and, at other reasonable times, upon reasonable prior notice, to examine the same and to make such repairs, replacements and improvements as Owner may deem' necessary and reasonably desirable to any portion of the building, or which Owner may elect to perform in the demised premises after Tenant's failure to make repairs, or perform any work which Tenant is obligated to perform under this lease, or for the purpose of complying with laws, regulations and other directions of governmental authorities. Tenant shall permit Owner to use, maintain and replace pipes, ducts, and conduits in and through the demised premises, and to erect new pipes, ducts, and conduits therein provided, wherever possible, that they are within walls or otherwise concealed. Owner may, during the progress of any work in the demised premises, take all necessary materials and equipment into said premises without the same constituting an eviction, nor shall Tenant be entitled to any abatement of rent while such work is in progress, nor to any damages by reason of loss or interruption of business or otherwise. Throughout the term hereof Owner shall have the right to enter the demised premises at reasonable hours, upon

reasonable prior notice, for the purpose of showing the same to prospective purchasers or mortgagees of the building, and during the last six (6) months of the term for the purpose of showing the same to prospective tenants, and may, during said six months period, place upon the demised premises the usual notices "To Let" and "For Sale" which notices Tenant shall permit to remain thereon without molestation. If Tenant is not present to open and permit an entry into the demised premises, Owner or Owner's agents may enter the same whenever such entry may be necessary in an emergency by master key or forcibly, and provided reasonable care is exercised to safeguard Tenant's property, such entry shall not render Owner or its agents liable therefore, or in any event shall the obligations of Tenant hereunder be affected.

Vault Vault Space, Area:

14. No vaults, vault space or area, whether or not enclosed or covered, not within the property line of the building is leased hereunder, anything contained in or indicated on any sketch, blue print or plan, or anything contained elsewhere in this lease to the contrary notwithstanding. Owner makes no representation as to the location of the property line of the building. All vaults and vault space and all such areas not within the property line of the building, which Tenant may be permitted to use and/or occupy, is to be used and/or occupied under a revocable license, and if any such license be revoked, or if the amount of such space or area be diminished or required by any federal, state or municipal authority or public utility, Owner shall not be subject to any liability, nor shall Tenant be entitled to any compensation or diminution or abatement of rent, nor shall such revocation, diminution or requisition be deemed constructive or actual eviction. Any tax, fee or charge of municipal authorities for such vault or area shall be paid by Tenant, if used by Tenant, whether or not specifically leased hereunder.

Occupancy:

15. Tenant will not at any time use or occupy the demised premises in violation of the certificate of occupancy issued for the building of which the demised premises are a part. In any event, Owner makes no representation as to the condition of the demised premises and Tenant agrees to accept the same subject to violations, whether or not of record. If any governmental license or permit shall be required for the proper and lawful conduct of Tenant's business, Tenant shall be responsible for, and shall procure and maintain, such license or permit.

Bankruptcy:

16. (a) Anything elsewhere in this lease to the contrary notwithstanding, this lease may be cancelled by Owner by the sending or a written notice to Tenant within a reasonable time after the happening of any one or more of the following events: (1) the commencement of a case in bankruptcy or under the laws of any state naming Tenant (or a guarantor of any of Tenant's obligations under this lease) as the debtor; or (2) the making by Tenant (or a guarantor of any of Tenant's obligations under this lease) of an assignment or any other arrangement for the benefit of creditors under any state statute. Neither Tenant nor any person claiming through or under Tenant, or by reason of any statute or order of court, shall thereafter by entitled to possession of the premises demised but shall forthwith quit and surrender the demised premises. If this lease shall be assigned in accordance with its terms, the provisions of this Article 16 shall be applicable only to the party then owning Tenant's interest in this lease.

(b) It is stipulated and agreed that in the event of the termination of this lease pursuant to (a) hereof, Owner shall forthwith, notwithstanding any other provisions of this lease to the contrary, be entitled to recover from Tenant as and for liquidated damages an amount equal to the difference between the rent reserved hereunder for the unexpired portion of the term demised and the fail" and reasonable rental value of the demised premises for the same period. In the computation of such damages the difference between any installment of rent becoming due hereunder after the date of termination and the fair and reasonable rental value of the demised premises for the period for which such installment was payable shall be discounted to the date of termination at the rate of four percent (4%) per annum. If the demised premises or any part thereof be relet by the Owner for the unexpired term of said lease, or any part thereof, before presentation of proof of such liquidated damages to any court, commission or tribunal, the amount of rent reserved upon such reletting shall be deemed to be the fair and reasonable rental value for the part or the whole of the demised premises so re-let during the term of the re-letting. Nothing herein contained shall limit or prejudice the right of the Owner to prove for and obtain as liquidated damages by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to, or less than the amount of the difference referred to above.

Default:

17. (1) If Tenant defaults in fulfilling any of the covenants of this lease other than the covenants for the payment of rent or additional rent; or if this lease be rejected under §365 of Title 11 of the U.S. Code (Bankruptcy Code); or if any execution or attachment shall be issued against Tenant or any of Tenant's property whereupon the demised premises shall be taken or occupied by someone other than Tenant, or if a default shall occur under the Guaranty, as hereinafter defined, in (a) the payment of any sums due thereunder which shall continue for thirty (30) days after notice of such non-payment to the guarantor thereunder, (b) delivery of any estoppel certificate required to be delivered pursuant thereto which shall not have been delivered within ten (10) days after written notice that the time period for delivery of the estoppel certificate as set forth in Section lO.d of the guaranty has expired, (c) posting any required security deposit within the time required thereunder or (d) the breach if any representation, warranty or covenant thereunder in any material respect which shall not be remedied within thirty (30) days after notice to such guarantor, then in any one or more of such events, upon Owner serving a written thirty (30) days notice upon Tenant specifying the nature of said default, and upon the expiration of said thirty (30) days, if Tenant shall have failed to comply with or remedy such default, or if the said default or omission complained of shall be of a nature that the same cannot be completely cured or remedied within said thirty (30) day period, and if Tenant shall not have diligently commenced during such default within such thirty (30) day period, and shall not thereafter with reasonable diligence and in good faith, proceed to remedy or cure such default, then Owner may serve a written five (5) days notice of cancellation of this lease upon Tenant, and upon the expiration of said five (5) days this lease and the term thereunder shall end and expire as fully and completely as if the expiration of such (5) day period were the day herein definitely fixed for the end and expiration of this lease and the term thereof and Tenant shall then quit and surrender the demised premises to Owner but Tenant shall remain liable as hereinafter provided.

(2) If the notice provided for in (1) hereof shall have been given, and the term shall expire as aforesaid; or if Tenant shall be in default in the payment of the rent reserved herein or any item of additional rent herein mentioned, or any part of either, or in making any other payment herein required and such default shall continue for more than ten (10) days after written notice from Owner; then, and in any of such events, Owner may without notice, re-enter the demised premises either by force or otherwise, and dispossess Tenant by summary proceedings or otherwise, and the legal representative of Tenant or other occupant of demised premises and remove their effects and hold the demised premises as if this lease had not been made, and Tenant hereby waives the service of notice of intention to re-enter or to institute legal proceedings to that end. If Tenant shall make default hereunder prior to the date fixed as the commencement of any renewal or extension of this lease after notice and expiration of any applicable cure period, Owner may cancel and terminate such renewal or extension agreement by written notice.

Remedies of Owner and Waiver of Redemption:

18. In case of any such default after expiration of any applicable grace period following any required notice from Owner, re-entry, expiration and/or dispossess by summary proceedings or otherwise, (a) the rent, and additional rent, shall become due thereupon and be paid up to the time of such re-entry, dispossess and/or expiration, (b) Owner may re-let the demised premises or any part or parts thereof, either in the name of Owner or otherwise, for a term or terms, which may at Owner's option be less than or exceed the period which would otherwise have constituted the balance of the term of this lease and may grant concessions or free rent or charge a higher rental than that in this lease, (c) Tenant or the legal representatives of Tenant shall also pay Owner as liquidated damages for the failure of Tenant to observe and perform said Tenant's covenants herein contained, any deficiency between the rent hereby reserved and/or covenanted to be paid and the net amount, if any, of the rents collected on account of the subsequent lease or leases of the demised premises for each month of the period which would otherwise have constituted the balance of the tern of this lease. The failure of Owner to re-let the demised premises or any part or parts thereof shall not release or affect Tenant's liability for damages. In computing such liquidated damages there shall be added to the said deficiency such expenses as Owner may incur in connection with re-letting, such as legal expenses, reasonable attorneys' fees, brokerage, advertising and for keeping the demised premises in good order or for preparing the same for re-letting. Any such liquidated damages shall be paid in monthly installments by Tenant on the rent day specified in this lease and any suit brought to collect the amount of the deficiency for any month shall not prejudice in any way the rights of Owner to collect the deficiency for any subsequent month by a similar proceeding. Owner, in putting the demised premises in good order or preparing the same for re-rental may, at Owner's option, make such alterations, repairs, replacements, and/or decorations in the demised premises as Owner, in Owner's sole judgment, considers advisable and necessary for the purpose of reletting the demised premises, and the making of such alterations, repairs, replacements, and/or decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid. Owner shall in no event be liable in any way whatsoever for failure to re-let the demised premises, or in

the event that the demised premises are re-let, for failure to collect the rent thereof under such re-letting, and in no event shall Tenant be entitled to receive any excess, in any, of such net rents collected over the sums payable by Tenant to Owner hereunder. In the event of a breach or threatened breach by Tenant of any of the covenants or provisions hereof, Owner shall have the right of injunction and the right to invoke any remedy allowed at law or in equity as if re-entry, summary proceedings and other remedies were not herein provided for. Mention in this lease of any particular remedy, shall not preclude Owner from any other remedy, in law or in equity. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws.

Fees and Expenses:

19. If Tenant shall default in the observance or performance of any term or covenant on Tenant's part to be observed or performed under or by virtue of any of the terms or provisions in any article of this lease, after the expiration of any applicable notice and/or grace period, if any, (except in an emergency), then, unless otherwise provided elsewhere in this lease, Owner may immediately or at any time thereafter, and without notice, perform the obligation of Tenant thereunder. If Owner, in connection with the foregoing or in connection with any default by Tenant in the covenant to pay rent hereunder, makes any expenditures or incurs any obligations for the payment of money, including but not limited to attorney's fees, in instituting, prosecuting or defending any action or proceeding, and prevails in any such action or proceeding, then Tenant will reimburse Owner for such sums so paid or obligations incurred with interest and costs. The foregoing expenses incurred by reason of Tenant's default shall be deemed to be additional rent hereunder and shall be paid by Tenant to Owner within ten (10) days of rendition of any bill or statement to Tenant therefor. If Tenant's lease term shall have expired at the time of making of such expenditures or incurring of such obligations, such sums shall be recoverable by Owner as damages.

Building:

20. Owner shall have the right, at any time, without the same constituting an eviction and without incurring liability to Tenant therefor to change the arrangement and or location of public entrances, passageways, doors, doorways, corridors, elevators, stairs, toilets or other public parts of the building (but not the 20th Street elevator lobby) and to change the name, number or designation by which the building may be known. Except as provided herein, there shall be no allowance to Tenant for diminution of rental value and no liability on the part of Owner by reason of inconvenience, annoyance or injury to business arising from Owner or other Tenant making any repairs in the building or any such alterations, additions and improvements.

No Representations by Owner:

21. Neither Owner nor Owner's agents have made any representations or promises with respect to the physical condition of the building, the land upon which it is erected or the demised premises, the rents, leases, expenses of operation, or any other matter or thing affecting or related to the demised premises except as herein expressly set forth and no rights, easements or licenses are acquired by Tenant by implication or otherwise except as expressly set forth in the provisions of this lease. Tenant acknowledges that the taking of possession of the demised premises by Tenant shall be conclusive evidence that the said premises were in good and satisfactory

condition at the time such possession was so taken, except as to latent defects and punch list items. All understandings and agreements heretofore made between the parties hereto are merged in this contract, which alone fully and completely expresses the agreement between Owner and Tenant and any executory agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of it in whole or in part, unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification, discharge or abandonment is sought.

End of Term:

22. Upon the expiration or other termination of the term of this lease, Tenant shall quit and surrender to Owner the demised premises, “broom clean,” in good order and condition, ordinary wear and damages which Tenant is not required to repair as provided elsewhere in this lease excepted, and Tenant shall remove all its property from the demises premises. Tenant’s obligation to observe or perform this covenant shall survive the expiration or other termination of this lease. If the last day of the term of this lease, or any renewal thereof, falls on Sunday this lease shall expire at 11:59 p.m. on the preceding Saturday, unless it be a legal holiday, in which case it shall expire at 11:59 p.m. on the preceding business day and in such event the rent shall apportioned as of such earlier date.

Quiet Enjoyment:

23. Owner covenants and agrees with Tenant that upon Tenant paying the rent and additional rent and observing and performing all the terms, covenants and conditions, on Tenant’s part to be observed and performed, Tenant may peaceably and quietly enjoy the premises hereby demised, subject, nevertheless, to the terms and conditions of this lease including, but not limited to, Article 34 hereof, and to the ground leases, underlying leases and mortgages hereinbefore mentioned.

Failure to Give Possession:

24. If Owner is unable to give possession of the demised premises on the date of the commencement of the term hereof because of the holding-over or retention of possession of any tenant, undertenant or occupants, or if the demised premises are located in a building being constructed, because such building has not been sufficiently completed to make the premises ready for occupancy or because of the fact that a certificate of occupancy has not been procured, or if Owner has not completed any work required to be performed by Owner, or for any other reason, Owner shall not be subject to any liability for failure to give possession on said date and the validity of the lease shall not be impaired under such circumstances, nor shall the same be construed in any way to extend the term of this lease, but the rent payable hereunder shall be abated (provided Tenant is not responsible for Owner’s inability to obtain possession or complete any work required) until after Owner shall have given Tenant notice that Owner is due to deliver possession in the condition required by this lease. If permission is given to Tenant to enter into possession of the demised premises, or to occupy premises other than the demised premises, prior to the date specified as the commencement of the term of this lease, Tenant covenants and agrees that such possession and/or occupancy shall be deemed to be under all the terms, covenants, conditions and provisions of this lease, except the obligation to pay the fixed annual rent set forth in page one of this lease. The provisions of this article are intended to constitute “an express provision to the contrary” within the meaning of Section 223-a of the New York Real Property Law.

No Waiver:

25. The failure of Owner or Tenant to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this lease, or of any of the Rules or Regulations, set forth or hereafter adopted by Owner, shall not prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Owner of rent with knowledge of the breach of any covenant of this lease shall not be deemed a waiver of such breach, and no provision of this lease shall be deemed to have been waived by Owner unless such waiver be in writing signed by Owner. No payment by Tenant, receipt by Owner, of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement of any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Owner may accept such check or payment without prejudice to Owner's right to recover the balance of such rent or pursue any other remedy in this lease provided. All checks tendered to Owner as and for the rent of the demised premises shall be deemed payments for the account of Tenant. Acceptance by Owner of rent from anyone other than Tenant shall not be deemed to operate as an attornment to Owner by the payor of such rent, or as a consent by Owner to an assignment or subletting by Tenant of the demised premises to such payor, or as a modification of the provisions of this lease. No act or thing done by Owner or Owner's agents during the term hereby demised shall be deemed an acceptance of a surrender of said premises, and no agreement to accept such surrender shall be valid unless in writing signed by Owner. No employee of Owner or Owner's agent shall have any power to accept the keys of said premises prior to the termination of the lease, and the delivery of keys to any such agent or employee shall not operate as a termination of the lease or a surrender of the demised premises.

Waiver of Trial by Jury:

26. It is mutually agreed by and between Owner and Tenant that the respective parties hereto shall, and they hereby do, waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other (except for personal injury or property damage) on any matters whatsoever arising out of or in any way connected with this lease, the relationship of Owner and Tenant, Tenant's use of or occupancy of demised premises, and any emergency statutory or any other statutory remedy. It is further mutually agreed that in the event Owner commences any proceeding or action for possession, including a summary proceeding for possession of the demised premises, Tenant will not interpose any counterclaim, of whatever nature or description, in any such proceeding, including a counterclaim under Article 4, except for statutory mandatory counterclaims.

Inability to Perform:

27. This lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on part of Tenant to be performed shall in no way be affected, impaired or excused because Owner is unable to fulfill any of its obligations under this lease, or to supply, or is delayed in supplying, any service express or impliedly, to be supplied, or is unable to make, or is delayed in making, any repairs, additions, alterations or decorations, or is unable to supply, or is delayed in supplying any equipment, fixtures or other materials, if Owner is prevented or delayed from doing so by reason of strike or labor troubles, or any cause whatsoever

beyond Owner's sole control including, but not limited to, government preemption or restrictions, or by reason of any rule, order or regulation of any department or subdivision thereof of any government agency, or by reason of the conditions which have been or are affected, either directly or indirectly, by war or other emergency.

Bills and Notices:

28. Except as otherwise in this lease provided, any notice, statement, demand or other communication required or permitted to be given, rendered or made by either party to the other, pursuant to this lease or pursuant to any applicable law or requirement of public authority, shall be in writing (whether or not so stated elsewhere in this lease) and shall be deemed to have been properly given, rendered or made, if sent by registered or certified mail (express mail, if available) return receipt requested, or by courier guaranteeing overnight delivery and furnishing a receipt in evidence thereof, addressed to the other party at the address hereinabove set forth (except that after the date specified as the commencement of the term of this lease, Tenant's address, unless Tenant shall give notice to the contrary, shall be the building), and shall be deemed to have been given, rendered or made (a) on the date delivered, if delivered to a party personally, (b) on the date delivered, if delivered by overnight courier or (c) on the date which is four (4) days after being mailed. Either party may, by notice as aforesaid, designate a different address or addresses for notices, statements, demand or other communications intended for it. Notices given by Owner's managing agent shall be deemed a valid notice if addressed and set in accordance with the provisions of this Article. Routine building operational notices may be hand delivered to the demised premises.

Water Charges:

29. If Tenant requires, uses or consumes water for any purpose in addition to ordinary lavatory purposes Owner may install a water meter at its expense and thereby measure Tenant's water consumption for all purposes. Throughout the duration of Tenant's occupancy, Owner shall keep said meter and installation equipment in good working order and repair If such separate metering is installed, Tenant agrees to pay for water consumed, as shown on said meter as and when bills are rendered, and in the event Tenant defaults in the making of such payment, Owner may pay such charges and collect the same from Tenant as additional rent. Tenant covenants and agrees to pay, as additional rent, the sewer rent, charge or any other tax, rent or levy which now or hereafter is assessed, imposed or a lien upon the demised premises, or the realty of which they are a part, pursuant to any law, order or regulation made or issued in connection with the use, consumption, maintenance or supply of water, the water system or sewage or sewage connection or system. Independently of, and in addition to, any of the remedies reserved to Owner hereinabove or elsewhere in this lease. Owner may sue for and collect any monies to be paid by Tenant, or paid by Owner, for any of the reasons or purposes hereinabove set forth.

Sprinklers:

30. Anything elsewhere in this lease to the contrary notwithstanding, if the New York Board of Fire Underwriters or the New York Fire Insurance Exchange or any bureau, department or official of the federal, state or city government recommend or require the installation of a sprinkler system, or that any changes, modifications, alterations or additional sprinkler heads or other equipment be made or supplied in an existing sprinkler system by reason of Tenant's

business, the location of partitions, trade fixtures, or other contents of the demised premises, or for any other reason, or if any such sprinkler system installations, modifications, alterations, additional sprinkler heads or other such equipment, become necessary to prevent the imposition of a penalty or charge against the full allowance for a sprinkler system in the fire insurance rate set by said Exchange or any other body making fire insurance rates, or by any fire insurance company, Tenant shall, at Tenant's expense, promptly make such sprinkler system installations, changes, modifications, alterations, and supply additional sprinkler heads or other equipment as required, whether the work involved shall be structural or non-structural in nature.

Elevators, Heat, Cleaning:

31. Owner shall: (a) provide necessary passenger elevator facilities on business days from 8 a.m. to 6 p.m. and on Saturdays from 8 a.m. to 1 p.m.; (b) provide freight elevator service free of charge only on regular business days, Monday through Friday inclusive, and on those days only between the hours of 9 a.m. and 12 noon and between 1 p.m. and 5 p.m.; (c) furnish heat and other services supplied by Owner to the demised premises, when and as required by law, on business days from 8 a.m. to 9 p.m. and on Saturdays from 8 a.m. to 2 p.m.; (d) clean the public halls and public portions of the building which are used in common by all tenants; and (e) provide water at all times. Tenant shall, at Tenant's expense, keep the demised premises, including the windows, clean and in order, to the reasonable satisfaction of Owner, and for that purpose shall employ person or persons, or corporations approved by Owner. Tenant shall pay to Owner the cost of removal of any of Tenant's refuse and rubbish from the building. Bills for the same shall be rendered by Owner to Tenant at such time as Owner may elect, and shall be due and payable hereunder, and the amount of such bills shall be deemed to be, and be paid as additional rent. Tenant shall, however, have the option of independently contracting for the removal of such rubbish and refuse in the event that Tenant does not wish to have same done by employees of Owner. Under such circumstances, however, the removal of such refuse and rubbish by others shall be subject to such rules and regulations as, in the judgment of Owner, are necessary for the proper operation of the building. Owner reserves the right to stop services of the heating, elevator, plumbing and electric systems, when necessary, by reason of accident or emergency or for repairs, alterations, replacements or improvements, which in the judgment of Owner are desirable or necessary to be made, until said repairs, alterations, replacements or improvements shall have been completed. If the building of which the demised premises are a part supplies manually operated elevator service, Owner may proceed diligently with alterations necessary to substitute automatic control elevator service without in any affecting the obligations of Tenant hereunder.

See article #69

Security:

32. Tenant has deposited with Owner the sum of $0 as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this lease. It is agreed that in the event Tenant defaults in respect of any of the terms, provisions and conditions of this lease including, but not limited to, the payment of rent and additional rent, Owner may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any rent and additional rent, or any other sum as to which Tenant is in default, or for any sum which Owner may

expend, or may be required to expend, by reason of Tenant's default in respect of any of the terms, covenants, and conditions of this lease, including, but not limited to, any damages or deficiency in there-letting of the demised premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Owner. In the case of every such use, application or retention, Tenant shall, within five (5) days after demand, pay to Owner the sum so used, applied or retained which shall be added to the security deposit so that the same shall be replenished to its former amount. In the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this lease, the security shall be returned to Tenant within ten (10) days after the date fixed as the end of the lease, and after delivery of entire possession of the demised premises to Owner and payment by Tenant of all billed invoices. In the event of a sale of the land and building or leasing of the building, of which the demised premises form a part, Owner shall have the right to transfer the security to the vendee or lessee, and Owner shall thereupon be released by Tenant from all liability for the return of such security, and Tenant agrees to look to the new Owner solely for the return of said security, and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the security to a new Owner. Tenant further covenants that it will not assign or encumber, or attempt to assign or encumber, the monies deposited herein as security, and that neither Owner nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

Captions:

33. The Captions are inserted only as a matter of convenience and for reference,, and in no way define, limit or describe the scope of this lease nor the intent of any provision thereof.

Definitions:

34. The term "Owner" as used in this lease means only the owner of the fee or of the leasehold of the building or the mortgagee in possession for the time being, of the land and building (or the owner of a lease of the building or of the land and building, of which the demised premises form a part, so that in the event of any sale or sales or conveyance, assignment or transfer of said land and building or of said lease, or in the event of a lease of said building, or of the land and building the said Owner shall be and hereby is entirely freed and relieved of all covenants and obligations of Owner hereunder, to the extent that the purchaser or the lessee of the building has assumed and agreed to carry out any and all covenants and obligations of Owner hereunder. The words "re-enter" and "re-entry" as used in this lease are not restricted to their technical legal meaning. The term "rent" includes the annual rental rate whether so expressed or expressed in monthly installments, and "additional rent." "Additional rent" means all sums which shall be due to Owner from Tenant under this lease, in addition to the annual rental rate. The term "business days" as used in this lease, shall exclude Saturdays, Sundays and all days observed by the State or Federal Government as legal holidays, and those designated as holidays by the applicable building service union employees service contract, or by the applicable Operating Engineers contract with respect to HVAC service. Wherever it is expressly provided in this lease that consent shall not be unreasonably withheld, such consent shall not be unreasonably delayed.

Adjacent Excavation-Shoring:

35. If an excavation shall be made upon land adjacent to the demised premises, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation, a license to enter upon the demised premises for the purpose of doing such work as said person shall deem necessary to preserve the wall of the building, of which demised premises form a part, from injury or damage, and to support the same by proper foundations, without any claim for damages or indemnity against Owner, or diminution or abatement of rent.

Rules and Regulations:

36. Tenant and Tenant's servants, employees, agents, visitors, and licensees shall observe faithfully, and comply strictly with, the Rules and Regulations annexed hereto and such other and further reasonable Rules and Regulations as Owner or Owner's agents may from time to time adopt. Notice of any additional Rules or Regulations shall be given in such manner as Owner may elect. In case Tenant disputes the reasonableness of any additional Rules or Regulations hereafter made or adopted by Owner or Owner's agents, the parties hereto agree to submit the question of reasonableness of such Rules or Regulations for decision to the New York office of the American Arbitration Association, whose determination shall be final and conclusive upon the parties hereto. The right to dispute the reasonableness of any additional Rules or Regulations upon Tenant's part shall be deemed waived unless the same shall be asserted by service of a notice, in writing, upon Owner, within fifteen (15) days after the giving of notice thereof. Nothing in this lease contained shall be construed to impose upon Owner any duty or obligation to enforce the Rules and Regulations or terms, covenants or conditions in any other lease, as against any other tenant, and Owner shall not be liable to Tenant for violation of the same by any other tenant, its servants, employees, agents, visitors or licensees. Owner shall not, however, enforce any Rules and Regulations in a discriminatory manner. Notwithstanding any other provision hereof, in the event of an inconsistency between the Rules and Regulations and this lease, the provisions of this lease shall prevail.

Glass:

37. Owner shall replace, at the request and expense of Tenant, any and all plate and other glass damaged or broken from any cause whatsoever outside the 20th Street elevator lobby. Bills for the premiums therefore shall be rendered by Owner to Tenant at such times as Owner may elect, and shall be due from, and payable by Tenant when rendered, and the amount thereof shall be deemed to be, and be paid as, additional rent

38. SEE RIDER

Directory Board Listing:

39. If, at the request of, and as accommodation to, Tenant, Owner shall place upon the directory board in the lobby of the building, one or more names of persons or entities other than Tenant, such directory board listing shall not be construed as the consent by Owner to an assignment or subletting by Tenant to such persons or entities.

Successors and Assigns:

40. The covenants, conditions and agreements contained in this lease shall bind and inure to the benefit of Owner and their respective heirs, distributees, executors, administrators, successors, and except as otherwise provided in this lease, their assigns.

IMPORTANT - PLEASE READ

RULES AND REGULATIONS ATTACHED TO AND MADE A PART OF THIS LEASE IN ACCORDANCE WITH ARTICLE 36.

1. The sidewalks, entrances, (other than the 20th Street elevator lobby) driveways, passages, courts, elevators, vestibules, stairways, corridors or halls shall not be obstructed or encumbered by Tenant or used for any purpose other than for ingress or egress from the demised premises and for delivery of merchandise and equipment in a prompt and efficient manner, using elevators and passageways designated for such delivery by Owner. There shall not be used in any space, or in the public hall of the building, either by Tenant or by jobbers or others in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires and sideguards. If said premises are situated on the ground floor of the building, Tenant shall further, at Tenant's expense, keep the sidewalk and curb in front of said premises clean and free from ice, snow, dirt and rubbish. The 20th Street elevator lobby is not part of the demised premises.

2. The water and wash closet and plumbing fixtures shall not be used for any purposes other than those for which they were designed or constructed, and no sweepings, rubbish, rags, acids or other substance shall be deposited therein, and the expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by Tenant, whether or not caused by Tenant, its clerks, agents, employees or visitors.

3. No carpet, rug or other article shall be hung or shaken out of any window of the building; and Tenant shall not sweep or throw, or permit to be swept or thrown substances from the demised premises, any dirt or other substance into any of the corridors of halls, elevators, or out of the doors or windows or stairways of the building, and Tenant shall not use, keep, or permit to be used or kept, any foul or noxious gas or substance in the demised premises, or permit or suffer the demised premises to be occupied or used in a manner offensive or objectionable to Owner or other occupants of the buildings by reason of noise, odors, and or vibrations, or interfere in any way, with other tenants or those having business therein, nor shall any bicycles, vehicles, animals, fish or birds be kept in or about the building. Smoking or carrying lighted cigars or cigarettes in the elevators of the building is prohibited.

4. No awnings or other projections shall be attached to the outside walls of the building without the prior written consent of Owner.

5. No sign, advertisement, notice or other lettering shall be exhibited, inscribed, painted or affixed by Tenant on any part of the outside of the demised premises or the building, or on the inside of the demised premises if the same is visible from the outside of the demised premises, without the prior written consent of Owner, except that the name of Tenant may appear on the entrance door of the demised premises. In the event of the violation of the foregoing by Tenant, Owner may remove same without any liability, and may charge the expense incurred by such removal to Tenant. Interior signs on doors and directory tablet shall be inscribed, painted, or affixed for Tenant by Owner at the expense of Tenant, and shall be of a size, color and style acceptable to Owner.

6. Tenant shall not mark, paint, drill into, or in any way deface any part of the demised premises or the building of which they form a part. No boring, cutting, or stringing of wires shall be permitted, except with the prior written consent of Owner, and

as Owner may direct. Tenant shall not lay linoleum, or other similar floor covering, so that the same shall come in direct contact with the floor of the demised premises, and, if linoleum or other similar floor covering is desired to be used, an interlining of builder's deadening felt shall be first affixed to the floor, by a paste or other material, soluble in water, the use of cement or other similar adhesive material being expressly prohibited.

7. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by Tenant. Nor shall any changes be made in exiting locks or mechanism thereof. Tenant must, upon the termination of his tenancy, restore to Owner all keys of stores, offices and toilet rooms, either furnished to, or otherwise procured by, Tenant, and in the event of the loss of any keys, so furnished, Tenant shall pay to Owner the cost thereof.

8. Freight, furniture, business equipment, merchandise and bulky matter of any description shall be delivered to and removed from the demised premises only on the freight elevators and through the service entrances and corridors, and only during hours, and in a manner approved by Owner. Owner reserves the right to inspect all freight to be brought into the building, and to exclude from the building all freight which violates any of these Rules and Regulations of the lease, of which these Rules and Regulations are a part.

9. Tenant shall not obtain for use upon the demised premises ice, drinking water, towel and other similar services, or accept barbering or bootblacking services in the demised premises, except from persons authorized by Owner, and at hours and under regulations fixed by Owner. Canvassing, soliciting and peddling in the building is prohibited and Tenant shall cooperate to prevent the same.

10. Owner reserves the right to exclude from the building all persons who do not present a pass to the building signed by Owner. Owner will furnish passes to persons for whom any Tenant requests same in writing. Tenant shall be responsible for all persons for whom it requests such pass, and shall be liable to Owner for all acts of such persons. Notwithstanding the foregoing, Owner shall not be required to allow Tenant or any person to enter or remain in the 19th Street entrance or the 20th Street building entrance (as contrasted with the 20lh Street elevator lobby entrance), except on business days from 8:00 a.m. to 6:00 p.m. and on Saturdays from 8:00 a.m. to 1:00 p.m. Tenant shall not have a claim against Owner by reason of Owner excluding from the building any person entering the 19th Street entrance or the 20th Street building entrance (as contrasted with the 20th Street elevator lobby entrance) who does not present such pass.

11. Owner shall have the right to prohibit any advertising by Tenant which in Owner's opinion, tends to impair the reputation of the building or its desirability as a loft building, and upon written notice from Owner, Tenant shall refrain from or discontinue such advertising.

12. Tenant shall not bring, or permit to be brought or kept, in or on the demised premises, any inflammable, combustible, explosive, or hazardous fluid, material, chemical or substance, or cause or permit any odors of cooking or other processes, or any unusual or other objectionable odors, to permeate in, or emanate from, the demised premises.

13. Tenant shall not use the demised premises in a manner which disturbs or interferes with other tenants in the beneficial use of their premises.

14. Refuse and Trash. (1) Compliance by Tenant. Tenant covenants and agrees, at its sole cost and expense, to comply with all present and future laws, orders, and regulations, of all state, federal, municipal, and local governments, departments, commissions and boards regarding the collection, sorting, separation and recycling of waste products, garbage, refuse and trash. Tenant shall sort and separate such waste products, garbage, refuse and trash into such categories as provided by law. Each separately sorted category of waste products, garbage, refuse and trash shall be placed in separate receptacles reasonably approved by Owner. Tenant shall remove, or cause to be removed by a contractor acceptable to Owner, at Owner's sole discretion, such items as Owner may expressly designate. (2) Owner's Rights in Event of Noncompliance. Owner has the option to refuse to collect or accept from Tenant waste products, garbage, refuse or trash (a) that is not separated and sorted as required law or (b) which consists of such items as Owner may expressly designate for Tenant's removal, and to require Tenant to arrange for such collection at Tenant's sole cost and expense, utilizing a contractor satisfactory to Owner. Tenant shall pay all costs, expenses, fines, penalties or damages that may be imposed on Owner or Tenant by reason of Tenant's failure to comply with the provisions of this Building Rule 14, and, at Tenant's sole cost and expense, shall indemnify, defend and hold Owner harmless (including reasonable legal fees and expenses) from and against any actions, claims and suits arising from such noncompliance, utilizing counsel reasonably satisfactory to Owner.

IN WITNESS WHEREOF, Owner and Tenant have respectively signed and sealed this lease as of the day and year first above written.

Witness for Owner

11 West 19th Associates LLC

By: Block Buildings LLC, Manager

By: Thomas Block, President
Or by Gordon, Girvin, CFO
Or by Robert Heun, VP

Witness for Tenant:

Epsilon Data Management LLC

By: Alan M Utay, Vice President
and Secretary

ACKNOWLEDGEMENT

STATE OF TEXAS,

ss.

COUNTY OF COLLIN

On the 9th day of March in the year 2007, before me, the undersigned, a Notary Public in and for said State, personally appeared Alan M. Utay, personally known to me or proved to me on the basis of satisfactory evidence to the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledges to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individuals), or the person upon behalf of which the individual(s) acted, executed the instrument.

Kelli Hunt
NOTARY PUBLIC

RIDER ATTACHED AND MADE PART OF LEASE DATED: March 15, 2007

-between-

11 WEST 19TH ASSOCIATES LLC
OWNER

- and -

EPSILON DATA MANAGEMENT LLC

for space consisting of the entire 9th and entire 10th floors
in building located at
11 West 19th Street, New York, New York

If and to the extent that any of the provisions of this Rider conflict or are otherwise inconsistent with any of the preceding provisions of this lease, or of the Rules and Regulations attached to this lease or hereafter adopted, whether or not such inconsistency is expressly noted in this Rider, the provisions of this Rider shall prevail.

41. Free Rent / Rental Schedule :

TENANT shall not be required to pay base rent until the Rent Commencement Date, as hereinafter defined. TENANT shall be responsible for the payment of electric charges commencing on the Commencement Date, as hereinafter defined.

TENANT shall pay to OWNER base rental as follows:

PERIOD: Rent Commencement Date through January 31, 2008 $2,177,864.00 per annum, ($181,488.67 per month);
PERIOD: February 1, 2008 through January 31, 2009 $2,215,977.00 per annum, ($184,664.75 per month);
PERIOD: February 1, 2009 through January 31, 2010 $2,254,756.00 per annum, ($187,896.33 per month);
PERIOD: February 1, 2010 through January 31, 2011 $2,294,214.00 per annum, ($191,184.50 per month);
PERIOD: February 1, 2011 through January 31, 2012 $2,334,363.00 per annum, ($194,530.25 per month);
PERIOD: February 1,2012 through January 31,2013 $2,577,807.00 per annum, ($214,817.25 per month);
PERIOD: February 1, 2013 through January 31, 2014 $2,622,918.00 per annum, ($218,576.50 per month);
PERIOD: February 1, 2014 through January 31, 2015 $2,668,819.00 per annum, ($222,401.58 per month);
PERIOD: February 1, 2015 through January 31, 2016 $2,715,524.00 per annum, ($226,293.67 per month);
PERIOD: February 1, 2016 through January 31, 2017 $2,763,045.00 per annum, ($230,253.75 per month);
PERIOD: February 1, 2017 through January 31, 2018 $2,811,399.00 per annum, ($234,283.25 per month).

42. Condition of Delivery of Premises:

A) OWNER shall perform and pay for the following work (“Owner’s Work”) as a condition of delivery of the demised premises, said work to commence promptly following lease signing:

1) Subject to the provisions of Section 45E hereof, OWNER shall deliver base building HVAC units to provide sixty (60) tons of air conditioning to each floor of the demised premises; provided, however, TENANT shall be obligated to perform all work necessary to install such units in the demised premises (including, without limitation, the performance of all ductwork).

2) OWNER shall renovate the bathrooms on each of the floors of the demised premises in a building standard manner *{i.e.*, one (1) men's and one (1) women's per floor), using fixtures and finishes similar to the sixth (6^{th}) floor bathroom. Such bathrooms shall be handicap accessible and otherwise be in compliance with all applicable legal requirements.

3) OWNER shall provide building standard fireproofing throughout the demised premises as needed.

4) OWNER shall install new 3/4 inch plywood flooring throughout the demised premises.

5) OWNER shall sound-proof the water pump room located on the 10th floor.

The "Commencement Date" shall be the first non-holiday weekday after the Delivery Requirements (as defined below) have been satisfied and TENANT has been provided full access to the demised premises. The "Delivery Requirements" shall mean the occurrence of all of the following conditions: (i) the demised premises are vacant, broom clean, free of all tenants and occupants, (ii) all building systems serving the demised premises are fully operational, (iii) access to the demised premises and all elevators and other facilities serving the demised premises are in good working order and readily available, (iv) that Owner's Work is complete, and (v) that the Design Build Program (as defined in Article 45 hereof) is complete, other than "punchlist" items and the demised premises are in compliance with all applicable laws and other governmental requirements and that any applicable governmental permits and approvals necessary to permit TENANT to occupy the demised premises for general office purposes have been obtained. The phrase "punchlist items" shall mean (a) minor or insubstantial details of construction, mechanical adjustment or decoration which remain to be performed and (ii) portions of Owner's Work or the Design Build Program which have not been completed because under good construction scheduling practice such work should be done after still incomplete finishing or other work to be done by or on behalf of TENANT is completed. OWNER shall give TENANT not less than two (2) business days prior written notice of the actual Commencement Date.

Notwithstanding any other provision hereof, TENANT shall have the right to enter upon the demised premises from and after July 23, 2007 for the purpose of fixturing and to otherwise prepare the demised premises for its occupancy provided that such entry does not delay the Delivery Requirements. Any such early entry by TENANT shall be subject to all the terms and provisions hereof except that TENANT shall not be required to pay base rent or additional rent during such period of early occupancy.

Subject to the terms of Article 45 hereof, The "Rent Commencement Date" shall be the date which is the later to occur of (i) October 1, 2007, and (ii) forty-four (44) days after the Commencement Date.

B) Electricity: OWNER, at its cost, shall deliver electrical capacity to the demised premises at points reasonable determined by OWNER. The electrical service shall be capable of supporting TENANT'S electrical loads up to a maximum connected load of 12 volt-amperes per useable square foot inclusive of TENANT'S lighting, air conditioning, and general power loads. OWNER shall furnish this electrical capacity to the demised premises on a submetered basis and TENANT covenants and agrees to purchase same from OWNER or OWNER'S designated agent in accordance with the electrical rider attached hereto. Notwithstanding anything to the contrary, OWNER represents that 6 watts per usable square foot for normal office use excluding air-conditioning will be delivered to the demised premises throughout the term.

C) Freight Elevators: OWNER shall provide and TENANT shall be permitted to use the freight and passenger elevators on a non-exclusive basis for construction and move-in during normal business hours at no charge. Usage of freight elevators other than during normal business hours (both during construction, move-in and ongoing) will be provided by OWNER subject to additional charges. The present hourly charge for after-hours elevator usage is $235.00 per hour.

D) Shaft Space: OWNER will provide to TENANT TENANT'S proportionate share of secure shaft space from the Telecom "Point of Entry" in tire building to the premises. TENANT shall have the right to choose its own telecommunications provider.

E) Life Safety Systems: OWNER shall provide, at its cost, a base building fire alarm system capable of supporting typical office space on each floor of the demised premises with a maximum of 10 zones per floor for connection to the fire alarm devices to be installed by Owner as part of the Design Build Program. Under the Design Build Program Owner shall install a complete fire alarm system coverage on the floors as required by governmental agencies having jurisdiction.

F) Sprinkler: OWNER, at its cost, will deliver a building sprinkler system the capacity of which will be sufficient to service a sprinkler distribution system throughout the demised premises meeting the NYC building codes. Such sprinkler distribution system will be performed and paid for as part of the Design Build Program.

G) ACP-5 Certificate: OWNER shall deliver an ACP-5 Certificate to TENANT promptly after lease execution covering the demised premises and the 20th Street elevator lobby.

43. 20th Street Lobby and Elevators;

A) The existing mechanical system associated with the 20th Street elevators shall be upgraded by OWNER, at its cost, per specifications attached as Exhibit A. OWNER will also perform a cosmetic renovation on each of the two (2) 20l Street elevator cabs which services the demised premises (each, an "Elevator Cab", collectively, the "Elevators Cabs") at a cost of $25,000 per Elevator Cab. In the event that TENANT, at its election, desires a higher standard of cosmetic upgrade than $25,000 per cab will provide, TENANT shall pay any additional cost to upgrade the Elevator Cabs provided that it has first approved such additional cost in writing. Such upgrade and renovation work will begin and be completed within the first 36 months of the term. TENANT will have design input only with respect to the cab design but must respond promptly. Upon completion of. such mechanical upgrade and renovation work, OWNER will also assign to TENANT any and all warranties in OWNER'S possession relating to the two (2) 20th Street elevators servicing the demised premises (collectively, the "Elevators"). Notwithstanding any other provision hereof, if OWNER fails to complete such mechanical upgrade and cosmetic renovation work within such 36 month period, TENANT shall have the right to perform such work and all costs expended by TENANT in connection therewith may, at TENANT'S option, be offset against rent due hereunder. OWNER will be responsible for the general maintenance and repair of the Elevators until the upgrade and renovation is completed.

B) Upon completion of the upgraded mechanical system and cosmetic renovation of the Elevator Cabs, TENANT shall be responsible, at its own cost and expense, for the operation and maintenance of the Elevators (but not for capital expenditures which are not covered by warranties or the elevator service contract) using OWNER'S designated elevator maintenance company provided such company is competent and accepts competitive terms and conditions. Any expenditures of a capital nature which are not covered by warranties or the elevator service contract shall be performed by OWNER, at OWNER'S expense, however, TENANT shall reimburse OWNER, on a monthly basis for a pro rata share of such expenditures. TENANT'S pro rata share shall determined by fully amortizing the expenditures, without interest, over the useful life of the item and charging to TENANT the monthly amortizable amount during each remaining month of the term after such work is completed until such expenditure has been fully amortized or the term ends, whichever shall first occur.

C) Subject to compliance with Articles 3 and 54 of this lease, at any time after the execution and delivery of this lease TENANT shall have the right to enter upon and perform alteration and remodeling work in the 20th Street elevator lobby of the building. Further, notwithstanding any other provision hereof, OWNER will provide a $100,000 rent credit towards improvements on the 20th Street elevator lobby. Said credit must be used within 18 months of Commencement Date (subject to delays in such work caused by OWNER or due to force majeure), or any unused portion will be forfeited. Credit will be given upon TENANT providing OWNER with paid construction bills and lien waivers in connection with such lobby improvements. Amounts spent by TENANT for this work up to $100,000, plus interest, must be included in the termination payment under Section 45.

D) TENANT, at TENANT'S expense, shall be permitted to install its own security system (which may be a card access security system) in the premises and/or the 20th Street elevator lobby. Further, prior to the Commencement Date, OWNER, at its expense, will tie-in its fire safety system to provide emergency exit to 20th Street from the fire stairs leading to the 20th

Street elevator lobby. OWNER will limit access for all other floors other than TENANT'S to such stairwell that leads to the 20th Street elevator lobby for emergency purposes only. It is further understood and agreed that in the event the 19th Street elevators become inoperable due to an unforeseen event, TENANT will grant non-related tenants elevator reasonable access until such time 19th Street elevators are returned to service (which OWNER shall cause to occur as soon as practicable); otherwise the 20th Street elevator lobby shall be exclusively for TENANT'S use. Notwithstanding the foregoing, if any such use of the 20th Street elevator lobby by other building tenants, whether pursuant to this Section 43.C or Section 44A, below, exceeds ten (10) days, then OWNER shall pay to TENANT, within ten (10) days of receipt of written invoice, a pro-rata share of the costs of maintaining and operating the 20th Street elevator lobby and the elevators therein, including the cost of the security services provided for such lobby, as such pro rata share is reasonably determined by TENANT.

44. 19th Street Lobby and Elevators:

A) Elevators/Fire Stairs: OWNER will install new elevator cabs and mechanicals in the 19th Street lobby passenger elevators on or before May 31, 2008. OWNER shall operate all elevators within the elevator bank servicing the premises at all times during building hours, subject to emergencies and repairs and maintenance and at all other times will provide at least two passenger elevators subject to call. It is further understood and agreed that during the renovation of the 19th Street elevators, non-related tenants shall have access to the 20th Street elevators, subject to Section 43C above.

B) Building Services/Access: TENANT will have access to the premises seven (7) days per week, subject to closure for emergencies and as required by law, twenty-four (24) hours per day. OWNER shall provide heating and air conditioning to the building lobbies and heat to the premises Monday thru Friday 8:00 a.m. to 9:00 p.m. and Saturday from 8:00 a.m. to 2:00 p.m. consistent with the operation of similar office buildings. [After hours heat will be provided to the demised premises, at TENANT'S request and at TENANT'S cost but such cost shall be equal to the cost to OWNER to provide the same without markup, overhead or profit.]

45. Design/Build Program:

A) Following the receipt of the Approved Plans (as hereinafter defined), OWNER shall cause the work set forth in such Approved Plans for the Design Build Program (as hereinafter defined) to be performed by StructureTone, Inc. ("StructureTone") substantially in accordance with the Approved Plans. The budget (the "Budget"), construction schedule (the "Construction Schedule") and design criteria/plans (the "Design Plans") of the Design Building Program are attached hereto and made a part hereof as Exhibits D-l, D-2 and D-3, respectively. Subject to any TENANT Delay, as defined in Section 45D hereof, OWNER shall use commercially reasonable efforts to substantially complete the Design Build Program in accordance with the Construction Schedule, without being obligated to employ overtime labor or to incur any extraordinary costs in connection therewith.

B) OWNER and TENANT have agreed upon a price for the hard and soft costs of the Design Build Program of $5,064,800.00 (the "Design Build Allowance") based upon the Budget and the Designed Plans. OWNER shall contribute the sum of $2,026,000.00 ("OWNER'S Portion") toward the Design Build Allowance and TENANT shall contribute the sum of $3,038,800.00 ("TENANT'S Portion") toward the Design Build Allowance. Any hard and soft costs of the Design Build Program in excess of the Design Build Allowance shall be paid by OWNER, except that TENANT shall be responsible for any cost increases above the Design Build Allowance as a result of any "change orders" requested by TENANT, provided that TENANT has first approved the amount of the cost increase for the change order in writing ("TENANT Change Order Increases"). Any such TENANT Change Order Increases shall be payable in accordance with the procedures set forth in Section 45C hereof. For the purposes of this Article, a "changed order" shall be deemed to mean any change to the Design Plans, other than any brand information required for the lobby area within the demised premises.

C) All payments for the hard and soft costs of the Design Build Program shall be made to StructureTone first by OWNER, up to the amount of OWNER'S Portion, and then by TENANT, up to the amount of TENANT'S Portion plus the cost of any TENANT Change Order Increases. All applications for payment made by StructureTone shall be made in accordance with the terms of the construction contract and shall not be payable until approved by the architect and the

architect has delivered its certification in the appropriate AIA form. OWNER shall deliver a copy of such certificate by the architect and all supporting documents for such payment to TENANT simultaneously with OWNER'S payment of the amount in question. After OWNER has applied OWNER'S Portion, Tenant shall be obligated to pay or reimburse OWNER for the cost of the Design Build Program (up to an amount equal to TENANT'S Portion and any cost of TENANT Change Order Increases), as additional rent, within ten (10) days after demand by OWNER therefor, which demand shall be accompanied by the aforementioned certificate by the architect and reasonably detailed documentation indicating that such payment shall be due and payable. At TENANT'S request from time to time, OWNER and TENANT shall identify completed items of the Design Build Program that have been paid for by TENANT from the TENANT'S Portion, and all such identified items shall be owned, insured, and booked by TENANT during the term as its asset for all financial accounting purposes. Notwithstanding anything to the contrary contained herein, OWNER hereby agrees that Tenant shall not be required to remove any items set forth on the Design Plans from the demised premises at the expiration or earlier termination of this lease. OWNER shall deliver to TENANT a copy of the construction contract with StrutureTone within five (5) days of full execution. To the extent that there remains any unpaid contingency reserve under the construction contract after StructureTone has been paid in full, TENANT shall be entitled to a rent credit in the amount of such contingency reserve.

D) OWNER shall be responsible to provide a complete set of fully engineered construction documents and scale drawings (such plans and drawings, after the same shall have been reasonably approved by TENANT in accordance with this Section, shall be referred to herein as the Approved Plans") on or around April 6, 2007, which shall set forth a building installation for the demised premises and the Building substantially similar to the Design Plans (the "Design Build Program"). In the event a TENANT Delay (as hereinafter defined) occurs and results in a delay in OWNER'S construction of the premises, the Rent Commencement Date will be the date that the Rent Commencement Date would have occurred absent any such TENANT Delay, but in no event earlier than October 1, 2007. Notwithstanding any other provision hereof, if the Commencement Date has not occurred by December 31, 2007, subject to extension for each day of TENANT Delay (the "Final Completion Date") for any reason other than casualty, then TENANT shall have the right to terminate this lease upon written notice of termination delivered to OWNER on or prior to the date that is five (5) business days after the Final Completion Date; and OWNER shall repay to TENANT within ten (10) days of written demand all amounts paid by TENANT in connection with this lease, less any amounts TENANT may recoup from its insurer in the case of casualty. For the purposes of this Article, a "TENANT Delay" shall mean (i) any delay by TENANT in reviewing and responding to OWNER regarding the plans submitted for its approval in accordance with the foregoing provisions hereof within five (5) business days from the date of submission to TENANT, (ii) any changes or requests for changes by TENANT to the Approved Plans which cause a delay or extension in a date or certain dates set forth in the Construction Schedule, (iii) any delay in the selection of materials to be made by TENANT which causes a delay or extension in a date or certain dates set forth in the Construction Schedule, (iv) any failure by TENANT to timely pay TENANT'S Portion and/or TENANT Change Order Increases as additional rent in accordance with the provisions of this Article, and (v) any negligence or willful misconduct of TENANT or its officers, agents, or employees which causes a delay or extension in a date or certain dates set forth in the Construction Schedule.

E) TENANT, at its election, shall have the right to request OWNER to contribute an amount equal to $111,000.00 toward the purchase and delivery of the base building HVAC units for the demised premises, in lieu of OWNER performing the work set forth in Section 42A(1) hereof. Such request by Tenant shall be in writing and TENANT shall have the right to make such election within five (5) business days after the receipt of the Approved Plans, in which event OWNER shall contribute such amount (in addition to OWNER'S Portion) for the HVAC units in accordance with the provisions of Section 45B hereof, and OWNER shall have no obligation to perform the work set forth in Section 42A(1) hereof.

46. Non-Disturbance:

OWNER shall obtain a subordination, non-disturbance and attornment agreement in favor of TENANT from OWNER'S existing lender, in the form annexed hereto as Exhibit B, within thirty (30) days after full execution hereof, in the absence of which TENANT may terminate this lease and receive immediate and full refund of any prepayment in rent made by Tenant. OWNER hereby represents that such lender is the sole holder of a mortgage affecting the building and land on which it is located and that OWNER holds fee title to the building and the land on which it is located. With respect to any mortgages, deeds of trust or other liens or any superior leases which hereafter affect the building or the land upon which it is situated, OWNER shall, as a condition of any obligation of TENANT to subordinate thereto, secure and deliver to TENANT, in recordable form, a similar non-disturbance agreement whereby the holder of any such encumbrance or the lessor of any such superior lease agrees to recognize all of TENANT'S rights under this lease.

47. Right of First Offer to Lease:

Tenant shall have a right of first offer to lease the entire eighth floor, and only the entire eighth floor (the "First Offer Space"). The current tenant's lease expires May 31, 2010. Provided TENANT is not in default beyond the expiration of any applicable grace and notice period, OWNER will offer TENANT before May 31, 2009 (but not before June 30, 2008) a right of first offer ("Right of First Offer") described below. If TENANT accepts, TENANT shall be irrevocably bound.

The Right of First Offer can only be exercised in accordance with, and subject to, the following terms and conditions:

A) OWNER shall notify TENANT in writing before May 31, 2009 (but not before June 30, 2008) that TENANT may lease the First Offer Space. OWNER'S notice will include:

1) the approximate date on which the First Offer Space will become available for occupancy by TENANT;

2) the improvements, if any, OWNER is willing to make to the First Offer Space.

3) the number of months of free rent, if any, OWNER will offer with respect to a lease of the First Offer Space.

4) the base rent at which OWNER will lease the First Offer Space to TENANT.

5) any other relevant terms OWNER would include in a lease to TENANT of the First Offer Space.

B) Within ten (10) business days after TENANT'S receipt of OWNER'S notice, TENANT shall exercise the Right of First Offer, or lose it irretrievably. If TENANT timely exercises the Right of First Offer, then the leasing of the First Offer Space will be on the same terms and conditions as this lease for a term co-terminous herewith except for any specific terms contained in OWNER'S notice above, and:

1) TENANT'S obligation to pay base rent and additional rent for the First Offer Space will commence on the date such space is delivered to TENANT for its exclusive use, except as provided in OWNER'S offer notice.

2) OWNER will deliver and TENANT will accept the First Offer Space in its then existing condition, on an "as is" basis except as provided in OWNER'S offer notice. TENANT will not be entitled to receive any contribution or allowance from OWNER for improvement of the First Offer Space, except as provided in OWNER'S offer notice.

C) If TENANT does not timely exercise the Right of First Offer for the First Offer Space strictly in accordance with this Section, time being of the essence, the Right of First Offer will cease to exist for the First Offer Space and OWNER shall be free to lease the First Offer Space on such terms that have a net effective base rent equal to at least 90 percent of what was offered to TENANT in OWNER'S offer notice (otherwise OWNER must reoffer such space to TENANT in accordance with the foregoing provisions hereof prior to leasing such First Offer Space to a third party but TENANT shall only have 5 business days to accept any new offer).

D) TENANT may not assign its Right of First Offer to any sublessee of the premises, or to any other person other than an assignee of this lease; however, if TENANT has exercised the Right of First Offer and has leased the First Offer Space, then TENANT'S right to sublease the First Offer Space, or to assign its rights under the Lease to the First Offer Space, will be subject to Article 80.

E) Upon inclusion of the First Offer Space, all references in this lease to the "premises" or the "demised premises" shall be deemed to include the First Offer Space.

48. Option to Extend at Market Rent:

A) Option Period. Provided TENANT is not in default under this lease at the time of exercise beyond the expiration of any applicable grace and notice period, and TENANT (together with any Permitted Transferees, as hereinafter defined) has possession of at least 85 percent of the premises, TENANT will have the option to extend the term for one additional period of five (5) years (the "Option Period") on the same terms, covenants, and conditions of this lease, except that the base rent during the Option Period will be determined pursuant to Section 48 (B). TENANT may only exercise its option (if at all) by giving OWNER written notice of the exercise of such opinion (the "Option Notice") at least twelve (12) months but not more than fifteen (15) months prior to the expiration of the initial term, winch exercise shall be irrevocable.

B) The base rent during the Option Period will be determined as follows:

1) OWNER and TENANT will have fifteen (15) days after OWNER receives the Option Notice within which to agree on the base rent for the Option Period. If they agree on the base rent within such fifteen (15) day period, they will amend this lease by stating the base rent for the Option Period.

2) If they are unable to agree on the base rent for the Option Period within such fifteen (15) day period, then, the base rent for the Option Period will be the then-fair market rental value of the premises as determined in accordance with Section 48(B)(4) and the periodic rental increases will be consistent with current market standards for rent increases at that time, in amounts and at frequencies determined by the appraisers pursuant to Section 48(B)(4).

3) The "then-fair market rental value of the Premises" means what a landlord under no compulsion to lease the premises and a tenant under no compulsion to lease the premises would determine as rents (including base rent and rental increases) for the Option Period, as of the commencement of the Option Period, taking into consideration the uses permitted under this lease, the quality, size, design and location of the premises, and the rent for comparable buildings located in the vicinity of 11 West 19th Street and that all of the provisions of this lease including Section 52 would be applicable during the Option Period other than Section 41, 45, 47 and 48 and Sections 42(A), 42(G), 43(A) and 43(C) and the first sentence of 44(A), which shall not apply.

4) Within ten (10) days after the expiration of such fifteen (15) day period, OWNER and TENANT will each appoint a real estate broker with at least ten (10) years' full-time commercial brokerage experience in the area in which the premises are located to appraise the then-fair market rental value of the premises. If either OWNER or TENANT does not appoint a broker within ten (10) days after the other has given notice of the name of its broker, the single broker appointed will be the sole broker and will set the then-fair market rental value of the premises. If two (2) brokers are appointed pursuant to this Section 48(B)(4), they will meet promptly and attempt to set the then-fair market rental value of the premises. If they are unable to agree within thirty (30) days after the second broker has been appointed, they will attempt to select a third broker meeting the qualifications stated in this Section 48(B)(4)within ten (10) days after the last day the two (2) brokers are given to set the then-fair market rental value of the premises. If they are unable to agree on the third broker, either OWNER or TENANT, by giving ten (10) days' prior notice to the other, can apply to the then-presiding judge of the Supreme Court sitting in New York County for the selection of a third broker who meets the qualifications stated in this paragraph. OWNER and TENANT each will bear one-half of the cost of appointing the third broker and of paying the third broker's fee. The third broker must be a person who has not acted in any capacity for either OWNER or TENANT during the prior five (5) years.

Within thirty (30) days after the selection of the third broker, a majority of the brokers will set the then-fair market rental value of the Premises. If a majority of the brokers are unable to set the then-fair market rental value of the Premises within thirty (30) days after selection of the third broker, the three (3) appraisals will be averaged and the average will be the then-fair market rental value of the Premises. Both parties will be bound by the above process.

5) During the Option Period, if the Option Notice has been timely sent, this lease shall remain in full force and effect except that (i) the base rent shall be as agreed or determined pursuant to this Section 48, (ii) the provisions of Sections 42, 45, 47 and 48 shall not be applicable and (iii) all other provisions of this lease shall remain in full force and effect (including Section 52) without change. At the request of either party, the parties shall enter into a written agreement confirm the extension of the lease term and the terms and condition of such extension.

6) It shall be a condition of the effectiveness of TENANT'S extension of the term for the Option Period that prior to the commencement of the extended term OWNER shall have received a written ratification of the guaranty of Alliance Data Systems Corporation, in form reasonably acceptable to OWNER.

49. Guaranty:

It is a condition of the effectiveness of this lease that Alliance Data Systems Corporation shall have executed and delivered to OWNER a guaranty of this lease in the form of Exhibit C hereto (the "Guaranty")-

50. INTENTIONALLY OMITTED

51. Maintenance, cleaning etc.

A) OWNER shall not be obligated to provide any maintenance, cleaning or rubbish removal services with respect to the demised premises except as expressly provided herein. TENANT shall maintain the demised premises in good repair. TENANT may, at it own cost and expense, employ a cleaning contractor to clean and remove all rubbish and refuse from the demised premises (including carting the same from the building). However, it is further understood and agreed that unless TENANT has its own employees clean the demised premises as described above, TENANT shall engage contractors approved by OWNER (which approval shall not be unreasonably withheld or delayed regardless of whether it is a union contractor) for its cleaning and carting. TENANT agrees not to employ any person or firm for cleaning or other services in the demised premises (i) without OWNER'S prior written consent, such consent not to be unreasonably withheld, or delayed or (ii) the employment of such person or firm would cause any labor disharmony as further provided in Section 54(B) hereof.

B) Notwithstanding anything in this Lease to the contrary, OWNER shall not be obligated to maintain the demised premises or any of the electrical systems therein when caused by TENANT'S over capacity or misuse or to maintain ventilation fixtures located therein, including, without limitation, lighting fixtures and the bulbs therefor.

52. Additional Rent: (Real Estate Tax Escalation)

In the event that the Real Estate Taxes, as hereinafter defined, for any year of the term after the fiscal year 2007/2008 (July 1, 2007—June 30, 2008) be in excess of the Real Estate Taxes for the fiscal year 2007/2008 (July 1, 2007—June 30, 2008) (the "base tax year"), TENANT shall pay to OWNER as additional rent an amount equal to 18.2% ("TENANT'S Share") of such excess, if any. TENANT'S share shall be equitably reduced to the extent that the square footage of the building increases during the term. Such amounts shall be payable within thirty (30) days of an invoice therefor, which invoice shall be accompanied by a copy of the tax bill, but in no event earlier than thirty (30) days prior to the date payment is required to be made to the taxing authority. The submission of a duplicate original tax bill of the OWNER shall be deemed conclusive evidence of the amount of the Real Estate Taxes for each year. "Real Estate Taxes" for the purposes hereof shall mean (a) all real estate taxes, assessments, sewer rents and water charges and governmental levies and taxes, assessed, levied or imposed upon all or any part of

the building or the parcel of land on which the building is located including, without limitation, any business improvement district taxes, charges or assessments and any tax measured by or payable with respect to rent, and (b) any expenses incurred by OWNER in contesting any of the foregoing or the assessed valuations of all or any part of such land or building, or collecting any refund. Real Estate Taxes shall not include franchise, estate, inheritance, succession, capital levy, transfer, income or excess profits taxes assessed on or payable by OWNER or interest or penalties imposed on OWNER for late payment of Real Estate Taxes. If, due to a change in the method of taxation, a new or additional tax, however designated, shall be levied against OWNER and/or such land or building, in addition to or in substitution, in whole or in part, for any tax which would otherwise constitute "Real Estate Taxes", or in lieu of additional Real Estate Taxes, such tax or imposition shall be deemed for the purposes hereof to be included within the term "Real Estate Taxes".

If OWNER should incur any expense in connection with OWNER'S endeavoring to reduce or prevent an increase in assessed valuation (which is not duplicative of any expenses previously included in Real Estate Taxes), TENANT shall be obligated to pay as additional rent the amount computed by multiplying the TENANT'S Share times such expense of OWNER, and such amount shall be due and payable within thirty (30) days of demand by OWNER and collectible in the same manner as basic rent. TENANT shall receive credit for any tax refund or reduction within thirty (30) days of receipt. All obligations and rights under this Article 52 shall survive the expiration or earlier termination of this lease.

If the Real Estate Taxes for the base tax year shall be reduced as a result of a proceeding brought by OWNER then, for the purposes of this Article, Real Estate Taxes for the base tax year shall be deemed to be their value following such reduction.

53. Brokers:

Each party warrants and represents to the other that it has had no dealings with any broker or agent except Kaufman/Adler Realty, CB Richard Ellis and Trammel Crow Company ("Named Brokers") and John Boyle who was previously with CB Richard Ellis and Trammel Crow Company, in connection with this lease and covenants and agrees to hold harmless and indemnify the other from and against any and all costs and expenses or liability for any compensation, commissions, fees and charges claimed by any other broker or an agent with respect to this lease or the negotiation thereof arising out of such party's acts. The obligations of the parties contained in this Article shall survive the expiration or earlier termination of this lease. OWNER shall be responsible for any brokerage fee, or commission due the Named Brokers.

54. Alterations:

Notwithstanding anything to the contrary herein, it is understood and agreed that this Article 54 shall not apply to the Design Build Program.

In addition to the requirements of Article 3:

A) TENANT, at its expense, shall obtain all necessary governmental permits and certificates for the commencement and prosecution of any alterations made by TENANT in and to the demised premises ("TENANT'S Changes") and for final approval thereof upon completion, and shall cause TENANT'S Changes to be performed in compliance therewith and with all applicable laws and requirements of insurance bodies, and in good and workmanlike manner, using new materials and equipment at least equal in quality and class to the original installations in the building . Further, OWNER may designate a supervising engineer at the expense of TENANT to review plans for any TENANT'S Changes to assure compliance with all applicable legal and safety requirements provided such expense is reasonable and competitive and represents the actual out-of-pocket costs paid or payable by OWNER for such plan review. TENANT'S Changes shall be performed in such manner as not to unreasonably interfere with and not to impose any material additional expense upon OWNER in the maintenance or operation of the building. Throughout the performance of TENANT'S Changes, TENANT, at its expense, shall carry, or cause to be carried, workmen's compensation insurance in statutory limits and general liability insurance, under which OWNER and its agents shall be named as additional insureds, in such limits as OWNER may reasonably prescribe, with insurers reasonably satisfactory to OWNER. TENANT shall furnish OWNER, on request, with satisfactory evidence that such

insurance is in effect at or before the commencement of TENANT'S Changes and, at reasonable intervals thereafter during the continuance of TENANT'S Changes. Except as otherwise expressly provided herein, the provisions of Article 3 shall apply to all of TENANT'S Changes made hereunder. TENANT shall not permit, other than with respect to trade fixtures or equipment, to the reservation of any title to or a security interest in such goods by any conditional vendor. All electrical and plumbing work in connection with TENANT'S Changes shall be performed by contractors or subcontractors licensed therefor by all governmental agencies having or asserting jurisdiction.

B) TENANT agrees that the exercise of its rights pursuant to the provisions of this Article or Article 51 shall not be done in a manner, which would create any work stoppage, picketing, or labor disruption or violate any union contracts affecting the land and/or building nor unreasonable interference with the business of OWNER or any lessee or occupant of the building. In the event of the occurrence of any condition described above arising from the exercise by TENANT of its rights pursuant to the provisions of this Article or Article 51, TENANT shall, immediately upon notice from OWNER, cease the manner of exercise of such rights giving rise to such conditions. In the event TENANT fails to cease such manner of exercise of its rights as aforesaid, OWNER, in addition to any rights available to it under this lease and pursuant to law, shall have the right to injunction upon notice hand delivered to TENANT.

C) TENANT, at its expense, and with due diligence and dispatch, shall within thirty (30) days after notice from OWNER procure the cancellation or discharge of all notices of violation arising from or otherwise connected with TENANT'S Changes which shall be issued by the Department of Buildings or any other public or quasi-public authority having or asserting jurisdiction. Provided OWNER shall give TENANT notice thereof, TENANT shall defend, indemnify and save harmless OWNER against any and all mechanic's and other liens filed in connection with TENANT'S Changes, including the liens of any security interest in, conditional sales of, or chattel mortgages upon, any materials, fixtures or articles so installed in and constituting part of the demised premises and against all costs, expenses and liabilities incurred in connection with any such lien, security deposit, conditional sale or chattel mortgage or any action or proceeding brought thereon. TENANT, at its expense, shall procure the satisfaction or discharge of all such liens by bonding or otherwise within ten (10) business days after receiving notice of the filing of any such lien. Notice is hereby given that TENANT has no power, authority or right to do any act or make any contract which may create or be the foundation for any lien upon the fee or leasehold estate of the OWNER in the demised premises or upon the land or building of winch they are a part or the improvements now or hereafter erected upon the demised premises or the land or the building of which they are a part. If TENANT shall fail to procure the satisfaction or discharge of all liens as hereinabove provided, OWNER may pay the amount of such lien or discharge the same by deposit or by bond or in any manner according to law, and pay any judgment recovered in any action to establish or foreclose such lien or order, and any amount so paid, together with expenses incurred by the OWNER, (including all attorney's fees and disbursements incurred in and the defense of any such action, bonding or other proceeding) shall be payable by TENANT as additional rent hereunder.

D) All alterations, additions or improvements to the demised premises, including those installed by and at the expense of TENANT, in accordance with the terms of Articles 3, 42 and 54 hereof, shall become the property of OWNER at the expiration of this lease, except all furnishings, equipment, trade fixtures and all moveable items.

E) Notwithstanding anything to the contrary in this lease, TENANT may, upon notice to OWNER, make non-structural alterations which do not adversely affect building systems (including without limitation, windows) not to exceed a cost of $100,000 in the aggregate, for any particular project provided that all other requirements of this Article and Article 3 are first met.

55. Insurance:

A) TENANT shall provide, prior to entry upon the demised premises, and maintain throughout the term of this lease, at its own cost, and with companies rated not less than A/VII by A.M. Best Company, Inc., or its successor and authorized to do business in the State of New York

1) General Liability insurance in an amount not less than $5,000,000.00 combined single limit for bodily injury, personal injury and property damage arising out of any one occurrence, protecting OWNER and TENANT, as their interests may appear, which insurance shall be written on an occurrence basis and name as an additional insured OWNER and any other parties having an insurable interest who have been designated by OWNER to TENANT in writing. OWNER shall also be named as an additional insured under any excess liability policy maintained by TENANT.

2) Workers' compensation insurance covering all persons employed by TENANT or by its representatives in connection with work performed by or for TENANT.

3) "Special Form" fire insurance covering all personal property, including plate glass (if applicable), equipment, fixtures owned, rented, leased, installed or brought in, on or about the demised premises by TENANT. TENANT shall procure a clause in, or endorsement on, each of their policies for fire or extended coverage insurance covering the demised premises or personal property, including plate glass(if applicable) , fixtures or equipment located thereon, pursuant to which the insurance company waives subrogation or consents to a waiver of right or recovery against OWNER.

TENANT agrees not to make claims against or seek to recover from OWNER for loss or damage to its property or property of others covered by such insurance.

All of TENANT'S insurance shall be in a form reasonably satisfactory to OWNER and shall provide that it shall not be canceled, terminated or changed except after 30 days' written notice to OWNER. Certificates of such policies (with evidence of payment of the premium) shall be deposited with OWNER prior to the day such insurance is required to be in force and upon $_y$ renewals, at least thirty (30) days prior to the expiration of the term of coverage. OWNER shall have the right from time to time during the term, to require that TENANT increase the amount and/or types of coverage required to be maintained under this Article to the amounts and/or types generally required of TENANT'S in comparable situations. The minimum limits of liability insurance required herein shall in no way limit or diminish TENANT'S liability.

B) TENANT shall not commit or permit anything to be done in, to or about the demised premises, contrary to law, or which will invalidate or be in conflict with the insurance policies carried by OWNER or by others for OWNER benefit, or do or permit anything to be done, or keep, or permit anything to be kept, in the demised premises, which (i) could result in termination of any of such policies, (ii) could adversely affect OWNER'S right of recovery under any such policies, (iii) could subject OWNER to any liability or responsibility to any person, or (iv) would result in reputable and independent insurance companies refusing to insure the building or property of OWNER therein in amounts satisfactory to its mortgagees. If any such action by TENANT, or any failure by TENANT to comply with the requirements of insurance bodies or to perform TENANTS obligations hereunder, or any particular use of the demised premises by TENANT shall result in the cancellation of any such insurance or an increase in the rate of premiums payable with respect to such policies, OWNER shall promptly notify TENANT and if TENANT shall not promptly cease such activity, TENANT shall indemnify, defend and hold OWNER harmless against all losses, costs, expenses and liabilities, including, but not limited to, any loss which would have been covered by such insurance and the resulting additional premiums paid or payable by OWNER. TENANT shall make such reimbursement within thirty (30) days after receipt of notice and evidence from OWNER that such additional premiums have been paid, without limiting OWNER'S rights otherwise provided in this lease.

C) INDEMNIFICATION BY TENANT: TENANT covenants and agrees that TENANT at all times will indemnify and save, protect, defend and keep harmless OWNER of, from and against any and all liability, cost, damage, expense, reasonable attorneys' fees, and fines whatsoever which may arise or be claimed against OWNER, by any person or persons for any loss, injury, damage or death to any person or property whatsoever, consequent upon or arising from or out of the business, operations, use or occupancy of the demised premises by TENANT, TENANT'S agents, employees or servants or arising from or in connection with any other act or omission of TENANT except to the extent arising out of the negligence or willful misconduct of OWNER or its agents or employees. TENANT further covenants and agrees that in the event any suit or proceeding shall be brought against OWNER as a result of any loss, damage, injury or death as a foresaid, TENANT will defend such suit or proceeding and will pay any judgments against the OWNER, including reasonable attorney's fees, costs, fines and expenses of the OWNER.

D) INDEMNIFICATION BY OWNER. To the fullest extent permitted by law but except (a) as otherwise expressly provided herein and (b) to the extent due to the negligence or willful misconduct of TENANT or its agents, employees and contractors, OWNER agrees to indemnify, save, protect, defend and keep harmless TENANT and its agents, employees and contractors of, from and against any and all liability, cost, damage, expense, reasonable attorneys' fees, and fines whatsoever which may arise or be claimed against TENANT from (i) the negligence or willful misconduct of OWNER or OWNER'S agents, contractors, employees, licensees, (ii) any acts, omissions or negligence of OWNER or the contractors, agents, employees, or licensees thereof, in or about the building or (iii) injury or death to any person or damage to property of any person or entity on account of any acts, omissions or negligence of OWNER or the contractors, agents, employees, or licensees thereof occurring during the term of tins lease in the building.

E) INDEMNIFICATION PROCEDURE, hi case any action or proceeding is brought against either party by reason of any claim, (a) the indemnified party shall deliver to the indemnifying party prompt notice thereof (it being agreed that the indemnified party's failure to promptly provide such notice shall in no event modify or limit the indemnifying party's indemnification obligation hereunder except to the extent that the indemnifying party is materially prejudiced thereby (e.g., the denial of coverage as a result thereof by the insurance company of the indemnifying party), (b) the indemnifying party, upon notice from the indemnified party, will, at the indemnifying party's expense, resist or defend such action or proceeding by counsel approved by the indemnified party in writing, such approval not to be unreasonably withheld (it being agreed that any counsel designated by the indemnifying party's insurance company shall be deemed to be approved by the indemnified party), (c) the indemnified party, at the indemnifying party's expense, shall reasonably cooperate with the indemnifying party in connection therewith (it being agreed that the indemnifying party shall have the right to control the defense of such claim) and (d) the indemnifying party shall not settle any such claim without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld or delayed.

F) OWNER'S INSURANCE. OWNER, at its expenses, shall maintain throughout the term of this lease (with customary deductibles) (a) special form property insurance against loss or damage by fire or other casualty, in an amount equal to one hundred percent (100%) of the replacement value of the building and (b) a policy of commercial general liability insurance in an amount customarily earned by similarly situated owners of comparable office buildings in Manhattan. All insurance required to be maintained by OWNER hereunder may be effected pursuant to blanket policies covering other locations of OWNER or its affiliates, provided that such blanket policies (a) provide that the amount of insurance allocable to the building shall at all times not be less than the amounts set forth above, and that such amounts will not be reduced by any loss at any other location. Such insurance limits may be satisfied by excess policies.

56. Certificate of Occupancy:

TENANT will at no time use or occupy the demised premises in violation of the certificate of occupancy issued for the building. OWNER represents that the permitted use as general offices is permissible under the current certificate of occupancy, but OWNER makes no representation as to future use of the demised premises, nor any representation that the Certificate of Occupancy will always allow the uses permitted TENANT. OWNER will not seek to change the Certificate of Occupancy so as to prohibit TENANT'S permitted use, and will maintain the certificate of occupancy so as to permit general office use.

57. Signage:

TENANT, at its sole cost and expense, shall be authorized to install signage within the premises and in the 20th Street lobby in compliance with all applicable legal requirements.

TENANT, at its expense, shall also be permitted the non-exclusive right to install signage in the 19th Street lobby of the building, subject to OWNER'S approval of size, materials appearance and location, so long as TENANT and its Permitted Transferees have possession of at least two full floors in the building.

The location, size, color, material and manner of installation of TENANT'S lobby sign (19th Street lobby) shall be mutually agreed upon by OWNER and TENANT; provided, however, in no event shall such lobby sign be larger than two (2) feet by four (4) feet.

Flagpole: Upon the expiration date or earlier termination of the current Sam Flax lease in the building (expiration date of which is April 30, 2010), TENANT will be given the right to use the flagpole that is closest to the 20th Street lobby. The design and size of the flag which shall portray the name and/or logo of the principal permitted occupant of the demised premises will require OWNER'S prior approval, which approval shall not be unreasonably withheld or delayed. There are currently three (3) flagpoles outside the building on 20th Street. OWNER will not permit any other flagpoles on 20th Street during the term of this lease.

Legal Requirements: All rights granted to TENANT under this Article are subject to compliance, at TENANT'S sole cost and expense, with all applicable legal requirements which may include obtaining the approval of the Landmarks Preservation Commission. OWNER agrees to cooperate with TENANT in obtaining any necessary approvals.

58. Limitation of Liability:

TENANT shall look only to OWNER'S estate and property in the building and the land and the proceeds of any condemnation award or fire insurance proceeds and, where expressly so provided in this lease, to offset against the rents payable under this lease, for the satisfaction of TENANT'S remedies for the collection of a judgment (or other judicial process) requiring the payment of money by OWNER in the event of any default or liability by OWNER hereunder, and no other property or assets of OWNER and no property of any officer, member, employee, director, shareholder, partner or principal of OWNER shall be subject to levy, execution or other enforcement procedure for the satisfaction of TENANT'S remedies under or with respect to this lease, the relationship of OWNER and TENANT hereunder or TENANT'S use or occupancy of the demised premises. Anything to the contrary notwithstanding, nothing herein shall be construed to allow TENANT to withhold rent for any reason whatsoever, except as herein provided.

59. Curing TENANT'S Defaults, Additional Rent:

A) Anything to the contrary contained in this lease notwithstanding, if TENANT shall default in the performance of any of TENANT'S obligations under this lease, OWNER, without thereby waiving such default, may (but shall not be obligated to) perform the same for the account and at the expense of TENANT, without notice in a case of emergency, and in any other case, only if such default continues after the expiration of (i) ten (10) business days from the date OWNER gives TENANT notice of intention to do so, or (ii) the applicable grace period provided in paragraph 17 or elsewhere in this lease for cure of such default, whichever occurs later.

B) Bills for any reasonable expenses incurred by OWNER in connection with any such performance by it for the account of TENANT, and bills for all costs, expenses and disbursements of every kind and nature whatsoever, including reasonable attorneys' fees, involved in collecting or endeavoring to collect the base rent or additional rent or any part thereof or enforcing or endeavoring to enforce any rights against TENANT, under or in connection with this lease, or pursuant to law, including any such cost, expense and disbursement including but not limited to, reasonable attorneys' fees involved in instituting and prosecuting summary proceedings, as well as bills for any property, material, labor or services provided, furnished, or rendered, by OWNER or at TENANT'S request, may be sent by OWNER to TENANT monthly, or immediately, at OWNER'S option, and shall be due and payable by TENANT in accordance with the terms of such bills but no later than 10 days after giving notice of such bills.

60. Late Charge:

If any payment owed to OWNER from TENANT under this lease is late and remains unpaid for more than five (5) days after the date when due, then a late charge shall become due and owing to OWNER with respect to such late payment equal to two (2) cents of each dollar of the amount due for each month, or part thereof, of lateness in addition to any other amounts due and such amount shall constitute additional rent hereunder.

61. Conditional Limitations:

A) If any one or more of the following events ("Events of Default") shall happen:

1) If TENANT shall fail to make any payment of base rent owed under this lease when due and payable and such payment has not been made within ten (10) days after notice thereof from OWNER to TENANT of non-payment;

2) If TENANT shall fail to make any payment of additional rent owed under this Lease when due and payable and such payment is not made within ten (10) days after notice thereof from OWNER to TENANT;

3) If TENANT shall fail to perform or comply with any of the covenants, agreements, terms or conditions contained in this lease other than those referred to in the foregoing sub-paragraphs 1 or 2 of this Section and such failure shall continue for a period of thirty (30) days after notice thereof from OWNER to TENANT, or in the case of a default or a contingency which cannot with due diligence be cured within such period of thirty (30) days, if TENANT shall fail to commence to cure the same and thereafter to prosecute the curing of such default with due diligence (it being intended that in connection with a default not susceptible of being cured with due diligence within thirty (30) days that the time of TENANT within which to cure the same shall be extended for such period as may be necessary to complete the same with due diligence);

Then and in any such event OWNER, at any time thereafter, may give written notice to TENANT specifying such event(s) of default and stating that this lease and the term hereby demised shall expire and terminate on the date specified in such notice, which shall be at least seven (7) days after the giving of such notice, and upon the date specified in such notice this lease and the term hereby demised and all rights of TENANT under this lease shall expire and terminate as fully and completely as if said date were the date herein originally fixed for the expiration of this lease;

B) Upon any termination of this lease pursuant to paragraph A of this Section, or any termination by summary proceedings or otherwise, TENANT shall quit and peacefully surrender the premises to OWNER, without any payment therefor by OWNER, and OWNER, upon or at any time after any such termination may, without further notice, enter upon and re-enter the premises and possess and re-possess itself thereof, summary proceedings, ejectment or as otherwise permitted by law, and may dispossess TENANT and remove TENANT and all other persons and property from the premises and may have, hold and enjoy the premises and the right to receive all rental income of and from the same.

C) After any termination pursuant to paragraph A of this Section, or any termination by summary proceedings or otherwise, (a) all sums payable by TENANT hereunder up to the time of such termination shall become due thereupon and be paid, (b) at OWNER'S option, either (i) there shall immediately become due from TENANT or the legal representatives of TENANT the aggregate amount of base rent and additional rent which would have been payable by TENANT for the period commencing with such termination and ending on the originally fixed expiration date of the lease, less the fair rental value of the demised premises for such period, such difference being discounted to present value at a commercially reasonable interest rate, or (ii) TENANT may sue for the base rent and the additional as it comes due or would have come due had this lease not been terminated and, in either case, OWNER shall be entitled to receive from TENANT all costs and expenses of putting the property in good order, or for preparing the same for re-rental, plus reasonable attorneys' fees and costs and disbursements for the collection of such amount which amount plus such reasonable attorneys' and brokerage fees, costs and disbursements shall constitute additional rent.

62. Holdover:

If the demised premises are not surrendered and vacated as and at the time required by this lease whether it be a natural expiration or an expiration due to default (time being of the essence), TENANT shall be liable to OWNER for (a) only to the extent such holding over exceeds sixty (60) days, all losses, costs, liabilities and damages which OWNER may incur by reason thereof, including without limitation, reasonable attorneys' fees and disbursements, and TENANT shall indemnify, defend and hold harmless OWNER against all claims made by any succeeding tenants against OWNER or otherwise arising out of or resulting from the failure of TENANT to

timely surrender and vacate the demised premises ha accordance with the provisions of this lease within such 60-day period, and (b) per diem use and occupancy with respect to the demised premises equal to two times the base rent and additional rent payable under this Lease for the last year of the term of this lease (which amount OWNER and TENANT presently agree is the minimum to which OWNER would be entitled, is presently contemplated by them as being fair and reasonable under such circumstances and is not a penalty), hi no event, however, shall this Article be construed as permitting TENANT to hold over in possession of the demised premises after the expiration or termination of the term of this Lease.

63. Certificates:

TENANT agrees that from time to time, within thirty (30) days after OWNER'S written request, TENANT will execute, acknowledge and deliver to OWNER a statement certifying to such reasonable information regarding this lease as OWNER may request, including, without limitation, the commencement and expiration dates of the term, that this lease is unmodified and in full force and effect (or if there have been modifications, that it is in full force and effect as modified and stating the modifications), and the dates to which base rent, additional rent and all other sums due hereunder from TENANT have been paid in advance, if any, and stating whether or not to the knowledge of the signer of such certificate OWNER is in default under this lease, and if so, specifying each such default of which the signer has knowledge. The foregoing shall not limit any other rights and remedies available to OWNER for breach of this Article.

64. Laws Governing:

This agreement shall be governed and construed in accordance with the laws of New York State, except for the provisions relating to choice of law, applicable to agreements made and/or to be performed wholly within said state and the parties hereto submit to the jurisdiction of the state and federal courts located in New York with respect to any action or proceedings which may arise under this lease and to accept service of process effective via the mailing, by registered or certified mail, return receipt requested, of any summons, writ or order of any such court to the addresses set forth herein, provided reasonable notice and/or time to appear are allowed therein. The parties also hereby waive any claim that the state and federal courts located in New York are inconvenient forums.

65. Severability:

Any provision of this lease that is not enforceable under the laws of the United States or the State of New York shall be construed to be severable from the other provisions of this lease without affecting the enforceability of the remaining provisions.

66. Force Majeure:

OWNER shall not be deemed in default in the performance of any obligation or undertaking provided herein in the event and/or so long as the performance of any such obligation is prevented or delayed, retarded or hindered by Act of God, fire, earthquake, floods, explosion, action of the elements, war, hostilities, invasion, insurrection, riot, mob violence, sabotage, inability to procure or a general shortage of labor, equipment, facilities, materials or supplies in the open market, failure of transportation, lockouts, action of labor unions, condemnation, requisition, laws, orders of government or civil or military or naval authorities, or any other cause, whether similar or dissimilar to the foregoing, not within the reasonable control of OWNER. Notwithstanding anything to the contrary set forth in this lease, if at any time, the premises lack (or receives grossly inadequate provision of) any essential services or utilities to be provided or arranged by OWNER, including, without limitation, heat, water (for sprinkler or lavatory purposes), electricity, elevator service to the premises from any elevator bank or OWNER in exercising its rights under Article 81 hereof unreasonably interferes with TENANT'S ability to use the premises or OWNER fails to perform the obligations recited in Article 4 of this lease, in each case, to such an extent that TENANT is unable to operate its business in the premises in substantially the same manner as TENANT conducted its business prior to such event, for any reason other than a casualty covered by Article 9 of this lease, and such lack, inadequacy or failure continues to substantially the same extent for ten (10) consecutive business days or twenty (20) business days in any twelve (12) month period, then rent shall abate proportionately to the extent the premises are untenantable by reason thereof. If the lack, inadequacy or failure continues to substantially the same extent for a period in excess of

forty-five (45) days during any twelve (12) month period, then TENANT shall have the right to terminate this lease by giving OWNER ten (10) days' written notice within five (5) business days of the end of such forty-five (45) day period, and unless such service is restored within such ten (10) day period, this lease shall terminate as of the tenth (10^{th}) day after such notice. This article shall not apply to events giving rise to TENANT'S rights under Article 45 hereof.

67. Additional Rent:

All sums whatsoever not included within base rent or additional rent and payable by TENANT under this lease shall constitute additional rent and shall be payable without set-off or deduction, whether or not so specified elsewhere in this lease except as otherwise provided herein. Except for payment of base rent and estimated electricity payments, amounts invoiced hereunder shall be due thirty (30) days after invoice. All sums in arrears under this lease will bear interest at 2% per annum over the prime interest rate as reasonably determined by OWNER, but the foregoing shall in no way limit any claim for damages or any other rights and remedies available to OWNER for any breach or default by TENANT. TENANT'S obligations under this lease will survive the expiration or sooner termination of the term.

68. OWNER'S Fees:

If TENANT or (with TENANT'S authorization) any subtenant requests OWNER'S consent or approval to alterations, subletting or any other matter or tiling requiring OWNER'S consent or approval under this lease, and if in connection with such request OWNER seeks the advice of its attorneys, architect and/or engineer, then OWNER, as a condition precedent to granting its consent or approval, may require (in addition to any other reasonable requirements of OWNER in connection with such request) that TENANT pay the reasonable fee of OWNER'S attorneys, architect and/or engineer in preparation of any documents pertaining thereto. At TENANT'S request, OWNER shall estimate in advance the amount of any such fees.

69. Intentionally Omitted

70. Additional Rent:

Whenever in this lease any sum, amount, item or charge shall be designated or considered as additional rent, OWNER shall have the rights and remedies for the non-payment thereof as OWNER would have for the non-payment of the base rent herein stipulated and provided for to be paid by TENANT.

71. Air-Conditioning:

Unless TENANT elects otherwise in accordance with the provisions of Section 45E hereof, OWNER shall deliver the new air-conditioning unit(s) to the demised premises in accordance with Section 42A(1) hereof, which air-conditioning unit(s) are and shall be the property of OWNER and may be used by TENANT during its occupancy of the demised premises. OWNER will assign to TENANT any and all warranties delivered to OWNER for such units. It is understood and agreed that TENANT will execute and comply with all laws, rules, orders, ordinances and regulations of any governmental and quasi-governmental bureaus and departments having jurisdiction thereover and of the Insurance Services Organization in connection with the maintenance of such units. Any capital expenditures required to be made in connection with the repair or replacement of such units shall be paid for by OWNER and TENANT in the same manner as capital expenditures made pursuant to Section 43(B) hereof.

TENANT covenants and agrees to carry liability insurance and water damage legal liability insurance with respect to said air-conditioning unit(s) throughout the term of this lease.

TENANT further covenants and agrees that at the end or other expiration of the term, said air-conditioning unit(s) shall remain the property of OWNER and may not be removed by TENANT.

TENANT shall maintain an air-conditioning service contract with an air-conditioning service company approved by OWNER for the term of this lease. Copies of said current contract must be submitted to OWNER on an annual basis.

Any and all central air-conditioning unit(s) including duct work and window air-conditioning unit(s) installed by TENANT or OWNER, shall become the property of OWNER and may not be removed unless OWNER grants specific permission to TENANT to remove said central air-conditioning unit(s) or window air conditioning unit(s).

72. Plate Glass.

OWNER shall replace, at the request and expense of TENANT, any and all plate glass outside the 20th Street elevator lobby.

73. Rent Restrictions.

If at the commencement of, or at any time during the term of this lease, the rent reserved in this lease is not fully collectible by reason of any legal requirement, TENANT agrees to take such steps as OWNER may reasonably request at no cost to TENANT to permit OWNER to collect the maximum rents which may be legally permissible from time to time during the continuance of such legal rent restrictions (but not in excess of the amounts reserved therefor under this lease). Upon the termination of such legal rent restriction, TENANT shall pay to OWNER, to the extent permitted by law, an amount equal to (a) the rents which would have been paid pursuant to this lease but for such legal rent restrictions less; (b) the rents paid by TENANT to OWNER during the period such legal rent restriction was in effect.

74. Rules of Construction:

There shall be no presumption of construction against the drafter of this lease. It is agreed that this lease is a product of extensive negotiations between the parties.

75. Miscellaneous:

It is hereby stipulated and agreed as follows:

A) Except as otherwise provided herein time shall be of the essence as to all of TENANT'S obligations to make payment or obligation not to holdover under the lease between the parties.

B) hi the event OWNER commences an action or proceeding against TENANT, TENANT agrees that it will accept service by certified mail, return receipt requested, and that this will be sufficient service to obtain personal jurisdiction over TENANT.

76. Headings:

The headings herein are for ease of reference only and shall not be used to construe or in any way define or limit the provisions hereof.

77. Sublease, Assignments, etc.:

A) Except as provided in this Article, TENANT shall not, by operation of law or otherwise, assign, mortgage or encumber this lease, nor sublet nor permit the demised premises or any part thereof to be used by any person or entity other than TENANT.

B) Notwithstanding the foregoing, TENANT shall have the right to assign this lease in its entirety or to sublease all or any portion of the premises or permit the use thereof without the consent of, but upon notice to, OWNER to any of the following: (a) any entity resulting from a merger or consolidation with TENANT, (b) any entity acquiring the business and assets of TENANT, or (c) any entity (controlled by, controlling or under common control with TENANT (each a "Permitted Transferee").

C) Provided TENANT is not in default beyond the expiration of any applicable notice or grace period, TENANT shall also have the right at any time to assign all or to sublease all or a portion of the premises to any unrelated entities with OWNER'S consent, which will not be unreasonably withheld, conditioned or delayed. OWNER shall grant or withhold its consent within thirty (30) days of receiving TENANT'S request for such consent, and will provide an explanation if OWNER withholds its consent.

Any attempted assignment or subletting made contrary to the provisions of this Article shall be null and void. No consent by OWNER to any assignment or subletting shall in any manner be considered to relieve TENANT from obtaining OWNER'S express written consent to any further assignment or subletting.

D) In connection with the granting of such consent, OWNER shall have the right to require that:

1) TENANT submit to OWNER business references of the prospective assignee or subtenant, which OWNER reasonably deems satisfactory under the circumstances;

2) The proposed assignee or subtenant has a financial worth which is sufficient, in OWNER'S reasonable judgment, to meet the obligations being undertaken.

3) Any assignment or subletting must be effected pursuant to a written instrument in form reasonably satisfactory to OWNER and a duplicate original thereof be delivered to OWNER within five (5) days following the date of its execution.

4) hi the event of an assignment, the assignee shall agree in writing to assume all of the terms, covenants and conditions of this lease on TENANT'S part to be performed from and after the effective date of the assignment, and a duplicate original thereof shall be delivered to OWNER within five (5) days following the date of its execution.

5) The liability of TENANT hereunder, and the liability of any assignee of this lease, shall survive any assignment and such liability shall be unaffected by any extensions of time which OWNER may grant to any assignee for the payment of any base rent, additional rent or other charges due hereunder, or for the performance of any other term, covenant or condition of this lease.

6) OWNER shall be entitled to 50% of the net profits resulting from any sublease to any third party other than a Permitted Transferee after first deducting TENANT'S costs which shall include work allowances, free rent, brokerage commissions and legal fees, marketing costs and, in the case where TENANT either grants possession of, leases or sells TENANT'S leasehold improvements, TENANT'S then unamortized or undepreciated costs of TENANT'S leasehold improvements.

E) In the event that TENANT desires to assign this lease or sublease more than seventy-five percent (75%) of each floor of the premises to any entity other than a Permitted Transferee for all or substantially all of the remainder of the term, TENANT shall notify OWNER in writing of the same specifying the proposed effective date ("Effective Date") of the proposed sublease or assignment ("Tenant's Proposed Transaction Notice"). Within thirty (30) days of receipt of Tenant's Proposed Transaction Notice, OWNER shall have the right, upon written notice to TENANT (a "Recapture Notice") to elect to terminate this lease and release TENANT from its obligations hereunder arising after the date of termination. If OWNER so exercises its right to terminate, this lease shall be deemed terminated effective as of the proposed Effective Date in Tenant's Proposed Transaction Notice. If OWNER notifies TENANT that it does not desire to terminate this lease as described above within such thirty (30) day period set forth above, or if OWNER fails to deliver a Recapture Notice to TENANT within such thirty (30) day period, it shall be deemed that OWNER has waived all rights to terminate this lease hereunder for a period of one (1) year following such thirty (30) day period, and during such one year period TENANT shall be free to enter into any sublease or assignment transaction with any third party subject only to obtaining OWNER'S prior written consent as provided above to the extent requested above and complying with other applicable provisions of this Article.

F) Nothing contained in this Article shall be construed as permitting an assignment or a subletting for any use other than the use expressly permitted under the terms of this lease.

G) If consent to an assignment or subletting for any use other than as permitted hereunder is requested, OWNER shall be the sole judge whether it wishes to give its consent on the terms outlined in sections A and B of this Article and the OWNER'S judgment shall be final.

78. Restoration of Premises:

TENANT shall have no obligation to restore the demised premises upon the expiration or earlier termination of this lease provided its installation is a normal office installation. OWNER will notify TENANT at the time of plan approval of alterations if there is any restoration obligation for specialty items. In no event shall TENANT be required to restore any part of the Design Build Program.

79. Notices:

All notices hereunder to OWNER or TENANT shall be given in writing and mailed by certified or registered mail to the address set forth on the first page hereof for such party prior to commencement of the term, and thereafter to OWNER at such address and to TENANT at the Demised Premises or may be given by hand delivery or recognized national overnight courier. By notice given to the aforesaid manner, either party hereto may notify the other as to any change as to where and to whom such party's notices are thereafter to be addressed. Copies of all notices to OWNER shall be sent to:

Kaufman/Adler Realty
450 Seventh Avenue
New York, New York 10123

11 West 19th Street Associates, LLC
c/o Block Buildings LLC 499 Seventh
Avenue, 21st Floor South New York,
New York 10018

Copies of all notices to TENANT shall be sent to:

Laura Vosburgh Marshall
Senior Director, Facilities & Real Estate
Epsilon
601 Edgewater Drive
Mailstop 5/M06
Wakefield, MA 01880

Alliance Data Systems, Inc.
General Counsel 17655
Waterview Parkway Dallas,
TX 75252

All notices will be deemed given four (4) business days after mailing if mailed by U.S. mail, the next business day if sent by overnight carrier, or upon delivery, if personally delivered.

80. Entire Agreement:

TENANT expressly acknowledges and agrees that OWNER has not made and is not making, and TENANT, in executing and delivering this lease, is not relying upon, any warranties, representations, promises or statements, except to the extent that the same are expressly set forth in this lease or in any other written agreement which may be made between the parties concurrently with the execution and delivery of this lease. It is understood and agreed that all understandings and agreements heretofore had between the parties are merged in this lease, which alone fully and completely expresses their agreements and that the same is entered into after full investigation, neither party relying upon any statement or representation not embodied in this lease or referenced herein, made by the other.

81. OWNER'S Right of Entry:

hi perforating or allowing others to perform any work in or around the building as permitted or required under this lease, except in emergencies, OWNER will not close any part of the premises or perform work at times or in a manner which would unreasonably interfere with TENANT'S use of or access to the premises if the work can reasonably be completed on weekends and after normal business hours (as set forth in Article 31). Notwithstanding anything to the contrary contained in this lease, in the exercise of any of the foregoing: (1) OWNER shall use reasonable efforts (but without obligation to employ overtime labor) not to unreasonably interfere with (i) TENANT'S use and occupancy of or its business operations in the premises and (ii) TENANT'S

use of and access to and egress from the premises and the Building, including, without limitation, TENANT'S use of the building lobbies and (2) OWNER shall not act in any manner discriminatory to TENANT.

82. Execution and Delivery:

It is understood and agreed that this lease is submitted to TENANT for signature on the express condition that it shall not constitute an offer by OWNER and shall not bind OWNER until executed by OWNER and delivered to TENANT.

83. Casualty:

A) With respect to any rent abatements during restoration after casualty provided for in this lease, if a casualty affects more than fifty percent (50%) of the premises, or of any floor upon which the premises is located, or TENANT'S reasonable access to and from the premises, and TENANT elects not to use any of the premises or such floor, as the case may be there shall be a full abatement for the premises or such floor, as the case may be.

B) If OWNER has the right to terminate this lease due to a casualty to the building, OWNER'S right to terminate shall be subject to the condition precedent that OWNER terminate all other office leases of the building under which it has a similar right.

C) If all or any portion of the premises is damaged as a result of fire or other casualty, OWNER shall, with reasonable promptness, cause an architect or general contractor selected by OWNER to provide OWNER and TENANT with a written estimate of the amount of time required to substantially complete the repair and restoration of the premises, using standard working methods ("Completion Estimate"). If the Completion Estimate indicates that the premises cannot be made tenantable within three hundred (300) days from the date of damage, then regardless of anything in this lease to the contrary, TENANT shall have the right to terminate this lease by giving written notice to OWNER of such election within thirty (30) days after receipt of the Completion Estimate.

D) With respect to any fire or casualty to the premises occurring within the last two years of the term which cannot be restored within ninety (90) days based upon the Completion Estimate, TENANT may terminate this lease as of the date of such damage upon giving written notice to OWNER within thirty (30) days after receipt of the Completion Estimate if (x) the premises cannot, in OWNER'S reasonable judgment, be restored within ninety (90) days from the date of such damage, or (y) the expiration date would occur within six (6) months from the date of completion. Notwithstanding the foregoing, in the event such damage affects a non-material portion of the premises, such that TENANT may continue to function in the remaining portion of the premises and such damage does not have a material impact on TENANT'S operations, TENANT may not terminate this lease so long as OWNER is completing the necessary repairs as expeditiously as possible, unless TENANT has the ability to terminate this lease pursuant to any other provisions hereof.

11 WEST 19th ASSOCIATES LLC

By: Block Buildings LLC, Manager
TITLE:

EPSILON DATA MANAGEMENT LLC

By: Alan M. Utay
TITLE: Vice President and Secretary

STANDARD GUARANTY

GUARANTY (this "Guaranty") made as of this 15th day of March , 2007 by ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (the "Guarantor"), with an address at 17655 Waterview Parkway, Dallas, TX 75252 to 11 WEST 19th ASSOCIATES LLC (the "Landlord"), with an address at 499 Seventh Avenue, Suite 21 South, New York, New York 10018.

WITNESSETH:

WHEREAS:

A. Landlord has been requested by EPSILON DATA MANAGEMENT LLC, having an address at 601 Edgewater Drive, Mailstop 5/M06, Wakefield, MA 01880 ("Tenant"), to enter into a Lease, dated as of the date hereof (the "Lease"), whereby Landlord would lease to Tenant, and Tenant would rent from Landlord, premises consisting of the entire 9th and 10th floors (together with any additional space which may be added to the premises in accordance with the Lease, as the same may hereafter be modified and amended), as said premises are more particularly described in the Lease, as the same may hereafter be modified and amended (the "Premises"), in the building known as 11 West 19th Street, New York, New York 10011 (the "Building"), for a term commencing as set forth in the Lease and expiring on the date set forth therein.

B. Guarantor owns, directly or indirectly, one hundred percent (100%) of the membership interests of Tenant, and will derive substantial benefit from the execution and delivery of the Lease.

C. Guarantor acknowledges that Landlord would not enter into the Lease unless Guarantor guaranteed the obligations of Tenant under the Lease and posted any security deposit provided for therein and unless this Guaranty were delivered to Landlord contemporaneously with the execution and delivery of the Lease.

NOW, THEREFORE, in consideration of the execution and delivery of the Lease and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor covenants and agrees as follows:

1. **DEFINITIONS.** Defined terms used in this Guaranty and not otherwise defined have the meanings ascribed to them in the Lease.

2. **COVENANTS OF GUARANTOR.**

a. Guarantor absolutely, unconditionally and irrevocably guarantees, as a primary obligor and not merely as a surety: (i) the full and prompt payment of all base rental and additional rent and all other sums and charges (including, without limitation, Landlord's attorneys' fees, disbursements and court costs) payable by Tenant under the Lease (the

"Obligations"). If Tenant shall default under the Lease, Guarantor may, without notice or demand, promptly pay to Landlord when due all base rental and additional rent payable by Tenant under the Lease, together with all damages, costs and expenses (including, without limitation, Landlord's attorneys' fees, disbursements and court costs) to which Landlord is entitled pursuant to the Lease, hereunder or by law.

b. Guarantor agrees with Landlord that (i) any action, suit or proceeding of any kind or nature whatsoever (an "Action") commenced by Landlord against Guarantor to collect base rental and additional rent and any other sums and charges due under the Lease for any month or months shall not prejudice in any way Landlord's rights to collect any such amounts due for any subsequent month or months throughout the Term in any subsequent Action, (ii) Landlord may, at its option, without prior notice to or demand of Guarantor under this Guaranty or otherwise, join Guarantor in any Action against Tenant in connection with or based upon the Lease or any of the Obligations and (iii) Landlord may seek and obtain recovery against Guarantor in an Action against Tenant or in any independent Action against Guarantor without Landlord first asserting, prosecuting, or exhausting any remedy or claim against Tenant or against any security of Tenant held by Landlord under the Lease or of any security held by Landlord under this Guaranty.

c. If Guarantor defaults in the payment of any of the Obligations, Guarantor will also pay to Landlord all of the costs and expenses of collection or of otherwise enforcing any of Landlord's rights under this Guaranty, including attorneys' fees, disbursements and court costs.

3. **GUARANTOR'S OBLIGATIONS UNCONDITIONAL AND JOINT AND SEVERAL**

a. This Guaranty is an absolute and unconditional guaranty of payment, and not of collection, and shall be enforceable against Guarantor without the necessity of the commencement by Landlord of an Action against Tenant, and without the necessity of any notice of nonpayment, nonperformance or nonobservance, (except as expressly required by the terms of the Lease) or any notice of acceptance of this Guaranty, or of any other notice or demand to which Guarantor might otherwise be entitled, all of which Guarantor hereby expressly waives in advance.

b. If the Lease is renewed, the premises demised thereunder expanded, or the Term extended for any period beyond the Expiration Date, either pursuant to any option granted under the Lease or otherwise, or if Tenant holds over beyond the Expiration Date, the obligations of Guarantor hereunder shall extend and apply to the full and faithful performance and observance of all of the Obligations under the Lease, as the same may hereafter be modified and amended, during any renewal, extension or holdover period.

c. This Guaranty is a continuing guarantee and will remain in full force and effect notwithstanding, and the liability of Guarantor hereunder shall be absolute and unconditional irrespective of; (1) any modifications or amendments of the Lease, (2) any releases or discharges of Tenant (other than the full release and complete discharge of all of the

Obligations), (3) any extensions of time that may be granted by Landlord to Tenant, (4) any assignment or transfer of all or any part of Tenant's interest under the Lease, (5) any subletting of the Premises, (6) any changed or different use of the Premises, (7) any other dealings or matters occurring between Landlord and Tenant, (8) the taking by Landlord of any guaranty from other persons or entities, (9) the releasing by Landlord of any other guarantor, (10) Landlord's release of any security provided under the Lease or this Guaranty, (11) Landlord's failure to perfect any landlord's lien or other security interest available under applicable law, (12) the assertion of or the failure by Landlord to assert against Tenant any of the rights or remedies reserved to Landlord pursuant to the terms, covenants and conditions of the Lease, (13) any consent, indulgence or other action, inaction or omission under or in respect of the Lease, (14) any, bankruptcy, insolvency, reorganization, receivership or trusteeship affecting Tenant or Tenant's successors or assigns whether or not notice thereof is given to Guarantor, or (15) any other matter or thing whatsoever, whether or not specifically mentioned herein, other than full payment and performance of the Obligations. Guarantor hereby consents prospectively, to Landlord's taking or entering into any or all of the foregoing actions.

d. With respect to the Obligations, the liability of Guarantor is coextensive with that of Tenant and also joint and several, and legal action may be brought against Guarantor and carried to final judgment either with or without making Tenant a party thereto.

4. <u>WAIVER OF GUARANTOR.</u>

a. Guarantor waives (i) notice of acceptance of this Guaranty, (ii) notice of any actions taken by Landlord or Tenant under the Lease or any other agreement or instrument relating thereto, (iii) notice of any and all defaults by Tenant in the payment of base rental and additional rent or other charges, or of any other defaults by Tenant in the payment of base rental and additional rent or other charges, or of any other defaults by Tenant under the Lease, (iv) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the obligations hereunder, and (v) any requirement that Landlord protect, secure, perfect or obtain any security interest or lien, or any property subject thereto, or exhaust any right to take any action against Tenant or any other person or any. collateral.

b. As a further inducement to Landlord to make and enter into the Lease and in consideration thereof, Guarantor waives trial by jury and the right thereto of any and all issues arising in any Action upon, under or in connection with this Guaranty, the Lease, the Obligations, and any and all negotiations or agreements in connection therewith.

5. **<u>SUBROGATION.</u>** Guarantor waives and disclaims any claim or right against Tenant by way of subrogation or otherwise in respect of any payment that Guarantor may be required to make hereunder, to the extent that such claim or right would cause Guarantor to be a "creditor" of Tenant for purposes of the United States Bankruptcy Code (11 U.S.C. §101 *et seq.*, as amended), or any other federal, state or other bankruptcy, insolvency, receivership or

similar legal requirement. If any amount shall be paid to Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid and performed in full, Guarantor shall hold such amount in trust for Landlord and shall pay such amount to Landlord immediately following receipt by Guarantor, to be applied against the Obligations, whether matured or unmatured, in such order as Landlord may determine. Guarantor hereby subordinates any liability or indebtedness of Tenant now or hereafter held by Guarantor to the obligations of Tenant to Landlord under the Lease.

6. REPRESENTATIONS AND WARRANTIES OF GUARANTOR, Guarantor represents and warrants that:

a. Guarantor is a Delaware corporation and has all requisite power and authority to enter into and perform its obligations under this Guaranty. The execution, delivery and performance by Guarantor of this Guaranty have been duly authorized by all necessary corporate action.

b. The execution, delivery and performance by Guarantor of this Guaranty does not and will not (i) contravene applicable law or any contractual restriction binding on or affecting Guarantor or any of its properties, or (ii) result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties.

c. No authorization, approval, consent or permission (governmental or otherwise) of any court, agency, commission, or other authority or entities is required for the due execution, delivery, performance or observance by Guarantor of this Guaranty or for the payment of any sums hereunder. Guarantor agrees that if any such authorization, approval, consent, or permission shall be required in the future in order to permit or effect performance of the Obligations of Guarantor under this Guaranty, Guarantor shall promptly inform Landlord or any of its successors or assigns and shall use its best efforts to obtain such authorization, approval, consent, or permission.

d. Guarantor has the full power, authority and legal right to execute and deliver, and to perform and observe the provisions of this Guaranty including the payment of all moneys hereunder. This Guaranty is a legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms.

e. Guarantor is not in violation of any decree, ruling, judgment, order or injunction applicable to it of whatever nature which taken alone or in the aggregate, would materially and adversely affect its ability to carry out any of the terms, covenants, and conditions of this Guaranty. There are no actions, proceedings or investigations pending or threatened against or affecting Guarantor (or any basis therefor known to Guarantor) before or by any court, arbitrator, administrative agency or other governmental authority or entity, which, taken alone or in the aggregate, if adversely decided, would materially and adversely affect its ability to carry out any of the terms, covenants and conditions of this Guaranty.

f. Guarantor's principal place of business is:

17655 Waterview Parkway
Dallas, TX 75252

g. Guarantor is solvent, able to meet its debts as they become due, and the fair market value of its assets exceeds the aggregate amount of its debts and liabilities as they become due, and the consummation of the transactions contemplated hereby will not adversely affect the financial condition of the Guarantor!

h. Guarantor owns, directly or indirectly, one hundred percent (100%) of the outstanding stock and/or membership interests of Tenant.

i. Guarantor is not entitled to immunity from judicial proceedings and agrees that, should Landlord or any of its successors or assigns bring any suit, action or proceeding in New York or Delaware to enforce any obligation or liability of Guarantor arising, directly or indirectly, out of or relating to this Guaranty, no immunity from such suit, action or proceeding will be claimed by or on behalf of Guarantor.

j. Guarantor is not in default in the terms and conditions of any agreement to which it is a party or by which it is bound, such as would materially and adversely affect its ability to carry out the terms, covenants and conditions of this Guaranty.

Guarantor acknowledges and agrees that a breach of any of the foregoing representations or warranties shall be a default under this Guaranty.

7. NOTICES. All consents, notices, demands, requests, approvals or other communications given under this Guaranty shall be given (i) by overnight delivery via Federal Express or like nationally-recognized overnight courier, or (ii) by hand delivery against a receipt. Notice under this Section 7 is deemed effective when actually received or refused. Notice under this Section 7 will not be effective if given by facsimile or electronic mail, or any means not specified above, whether or not actually received by the intended party. Notices shall be sent as follows:

a. If to Guarantor, at Guarantor's address set forth on the first page of this Guaranty, Attention: General Counsel

b, If to Landlord, at:

11 West 19th Associates LLC
499 Seventh Avenue, Suite 21 South
New York, New York 10018
Attention: Block Buildings LLC, c/o Thomas Block, Manager

with copies to:

11 West 19th Associates LLC c/o
Kaufman/Adler Realty 450
Seventh Avenue, 19th Floor New
York, New York 10123
Attention: Robert Savitt

Jeffrey Roth, Esq.
100 Park Avenue, 20th Floor
New York, New York 10017

Patterson Belknap Webb & Tyler LLP
1133 Avenue of the Americas New York,
New York 10036-6710 Attn.: Andrew L.
Herz, Esq.

or to such other addresses as either Landlord or Guarantor may designate by notice given to the other in accordance with the provisions of this Section 7.

8. CONSENT TO JURISDICTION: WAIVER OF IMMUNITIES.

a. Guarantor hereby irrevocably (i) submits to the jurisdiction of the state courts of New York or the federal courts sitting in New York in any Action arising out of or relating to this Guaranty, and (ii) agrees that all claims in respect of such Action may be heard and determined in such courts, Insofar as is permitted under applicable law, this consent to personal jurisdiction shall be self-operative and no further instrument or action, other than service of process in one of the manners specified in this Section 8 or as otherwise permitted by law, shall be necessary in order to confer jurisdiction upon the person of Guarantor in any such court. Guarantor hereby appoints CT Corporation, having an address at 111 Eighth Avenue, New York, New York 10011 ("Process, Agent") as its authorized agent to receive, on behalf of Guarantor, service of copies of the summons and complaint and any other process which may be served in any such Action (but not to receive notices due Guarantor under this Guaranty or, if applicable, the Lease), provided a copy is also given as a notice would be to the Guarantor pursuant to Section 7 hereof. Such service may be made by delivering a copy of such process to Guarantor in the manner required by law for the service of a summons and complaint in care of the Process Agent at the Process Agent's address and Guarantor hereby authorizes and directs the Process Agent to accept such service on its behalf. Guarantor agrees that a final non appealable judgment in any Action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner permitted under Legal Requirements.

b. Guarantor irrevocably waives, to the fullest extent permitted by Legal Requirements, and agrees not to assert, by way of motion, as a defense or otherwise (i) any objection which it may have or may hereafter have to the laying of the venue of any such Action brought in any of the courts described in Section 8(a), (ii) any claim that any such Action brought in any such court has been brought in an inconvenient forum, or (iii) any claim that

Guarantor is not personally subject to the jurisdiction of any such courts. Guarantor agrees that final judgment in any such Action brought in any such court shall be conclusive and binding upon Guarantor and may be enforced by Landlord in the courts of any state, in any federal court, and in any other courts having jurisdiction over Guarantor or any of its property, and Guarantor agrees not to assert any defense, counterclaim or right of set-off in any Action brought by Landlord to enforce such judgment.

c. Nothing in this Section 8 shall limit or affect Landlord's right to (i) serve legal process in any other manner permitted by law, or (ii) bring any Action against Guarantor or its property in the courts of any other jurisdictions.

d. Guarantor hereby irrevocably waives, with respect to itself and its ' property, any diplomatic or sovereign immunity of any kind or nature, and any immunity from the jurisdiction of any court or from any legal process, to which Guarantor may be entitled, and agrees not to assert any claims of any such immunities in any Action brought by Landlord under or in connection with this Guaranty. Guarantor acknowledges that the making of such waivers and Landlord's reliance on the enforceability thereof, is a material inducement to Landlord to enter into the Lease.

e. Guarantor agrees to execute, deliver and file all such further instruments as may be necessary under the laws of the State of New York, in order to make effective (i) the appointment of the Process Agent, (ii) the consent by Guarantor to jurisdiction of the state courts of New York and the federal courts sitting in New York, and (ill) all of the other provisions of this Section 8.

f. Guarantor hereby consents to process being served in any suit, action or proceeding of the nature referred to in this Guaranty by the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested to General Counsel, Alliance Data Systems Corporation, 17655 Waterview Parkway, Dallas, TX 75252.

g. The provisions of this Section 8 shall survive the termination of this Guaranty for the purpose of any suit, action, or proceeding arising, directly or indirectly, out of or relating to this Guaranty or the Premises or any suit, action or proceeding to enforce this Guaranty,

9. **SECURITY DEPOSIT**

a. For so long as Guarantor's shares are listed on a securities exchange, has a market capitalization of at least $1,000,000,000 (U.S.), and has no debt outstanding that is rated as less than investment grade, Guarantor shall have no obligation to post a security deposit hereunder.

b. During any time all of the conditions in Section 9(a) (the "Conditions") are not fulfilled, true and correct, Guarantor shall deposit with Landlord the sum of $1,000,000.00 within ten (10) days of demand therefor to be held by Landlord solely as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of

the Lease. It is agreed that in the event Tenant defaults in respect of any of the Obligations beyond the expiration of any applicable notice and grace period, Landlord may use, apply or retain the whole or any part of the security so deposited to the extent required to fulfill such Obligation or for any sum which Landlord may expend or may be required to expend by reason of Tenant's default in respect of any such Obligations, including but not limited to, any damages or deficiency in the reletting of the Premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord. In the event Landlord shall apply the whole or any part of the security deposited hereunder, Guarantor shall immediately deliver to Landlord an amount equal to the sum applied by Landlord in accordance therewith so that Landlord shall have as the security hereunder an amount equal to $1,000,000.00. Any unapplied security deposited shall be returned to Guarantor within ten (10) days after the date fixed as the end of the Lease and after delivery of possession of the entire Premises to Landlord and all billed Obligations have been paid. In the event of a sale of the land and Building or leasing of the entire Building, Landlord shall transfer the security to the vendee or lessee (the "New Landlord"); and provided such New Landlord shall expressly assume, in writing for the benefit of Guarantor, all such obligations, Landlord shall thereupon be released by Guarantor from all liability for the return of such security; and Guarantor shall look to the New Landlord solely for the return of said security deposited. It is agreed that the provisions hereof shall apply to every transfer or assignment made of the security to a New Landlord. Guarantor further covenants that it will not assign or encumber or attempt to assign or encumber the monies deposited herein as security and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. Guarantor represents that its IRS Employer Identification number is 31-1429215. In the event that the provisions of this Section 9b. become applicable because the Conditions are not satisfied and Guarantor subsequently satisfies the Conditions, Landlord shall upon demand return to Guarantor any sums (or the letter of credit described in c. below) so deposited.

c. Guarantor shall have the right, either (i) in lieu of the funds required to be deposited with Landlord pursuant to Section 9(b) above or (ii) at any time thereafter in substitution for such funds, to deposit and maintain with Landlord as the security deposit hereunder, an irrevocable commercial letter of credit in the aggregate amount of $1,000,000.00 in form and substance reasonably satisfactory to Landlord, and issued by a member bank" of The Clearing House, reasonably acceptable to Landlord, payable upon the presentation by Landlord to such bank of a sight-draft, without presentation of any other documents, statements or authorizations, other than a statement of Landlord that Tenant is in default of its monetary obligations to Landlord in the amount of the draw, which letter of credit shall provide (a) for the continuance of such credit for the period of at least one (1) year from the date hereof, (b) for the automatic extension of such letter of credit for additional periods of one (1) year from the initial and each future expiration date thereof (the last such extension to provide for the continuance of such letter of credit at least until the Expiration Date), unless such bank gives Landlord notice of its intention not to renew such letter of credit not less than sixty (60) days prior to the initial or any future expiration date of such letter of credit and (c) that in the event such notice is given by such bank, Landlord shall have the right to draw on such bank at sight for the balance remaining in such letter of credit and hold and apply the proceeds thereof in accordance with the provisions of this Section. Each letter of credit to be deposited and maintained with Landlord (or the proceeds thereof) shall be held by Landlord as security for the faithful performance and

observance by Tenant of the Obligations, and in the event that (x) any default occurs under the Lease and Tenant or Guarantor, as the case may be, shall fail to timely cure such default within the applicable grace period provided in the Lease, (y) Landlord transfers its right, title and interest under the Lease to a third party and the bank issuing such letter of credit does not consent to the transfer of such letter of credit to such third party, or (z) notice is given by the bank issuing such letter of credit that it does not intend to renew the same, as above provided, then, in any such event, Landlord may draw the entire amount on such letter of credit, and the proceeds of such letter of credit shall then be held and applied as security (and be replenished, if necessary) as provided herein. In the event Landlord shall apply the whole or any part of the security deposited hereunder, Guarantor shall immediately deliver to Landlord an amount equal to the sum applied by Landlord in accordance therewith so that at all times during the term hereof, Landlord shall have as the security hereunder an amount equal to $1,000,000.00. Guarantor shall pay Landlord's reasonable attorneys' fees, disbursements and court costs in connection with the replacement, substitution or amendment of the letter of credit described herein or the drawing thereon by Landlord and the same shall be deemed Obligations hereunder.

10. MISCELLANEOUS.

a. The provisions, covenants and guarantees of this Guaranty shall be binding upon Guarantor and its successors, legal representatives and assigns, and shall inure to the benefit of Landlord and. its successors and assigns, and shall not be deemed waived or modified unless such waiver or modification is specifically set forth in writing, executed by Landlord and delivered to Guarantor.

b. Whenever the words "include," "includes," or "including" are used in this Guaranty, they shall be deemed to be followed by the words "without limitation," and, whenever the circumstances or the context requires, the singular shall be construed as the plural, the masculine shall be construed as the feminine and/or the neuter and vice versa. This Guaranty shall be interpreted and enforced without the aid of any canon, custom or rule of law requiring or suggesting construction against the party drafting or causing the drafting of the provision in question.

c. The provisions of this Guaranty shall be governed by and interpreted solely in accordance with the internal laws of the State of New York, without-giving effect to the principles of conflicts of law.

d. Guarantor, at any time, and from time to time, upon at least ten (10) days' prior notice by Landlord, shall execute, acknowledge and deliver to Landlord, and/or to any other person, firm or corporation specified by Landlord, a statement certifying that this Guaranty is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect, as modified and stating the modifications), and stating whether or not there exists any default by Landlord under this Guaranty, and, if so, specifying each such default and stating such further matters as Landlord may reasonably request. Guarantor acknowledges that any such statement that Guarantor delivers to Landlord pursuant to this Guaranty may be relied upon by (x) any purchaser or owner of the Building or any interest therein (including, without limitation, any lessor), or (y) any mortgagee.

e. All remedies afforded to Landlord hereunder or under the Lease are separate and cumulative remedies and not exclusive. Landlord shall also have all remedies afforded by law or in equity.

f . If any provision of this Guaranty or the application of any provision shall to any extent be void, unenforceable or invalid, then such provision shall be reinterpreted to the greatest extent possible to make it enforceable and valid, and the rest of this Guaranty shall be unaffected thereby and continue in full force and effect.

g. No waiver or modification of any provision of this Guaranty shall be effective unless in writing and signed by Landlord, and no waiver by Landlord shall be applicable except in the specific instance for which it is given. This Guaranty is the full and complete agreement of the parties, and Landlord has made no promises or representations to Guarantor except as set forth herein.

h. Guarantor covenants and agrees that it will maintain its corporate existence, rights and franchise in full force and effect so long as the Guaranty is outstanding, and will notify Landlord of any material adverse change in its financial condition.

i. Notwithstanding anything herein to the contrary, this Guaranty

shall not be construed as creating a landlord-tenant relationship, nor shall the payment of any sums pursuant to this Guaranty entitle Guarantor to possess or occupy the Premises.

j. It is a condition of the granting, execution and delivery of the Lease that Guarantor execute and deliver this Guaranty and Guarantor deems the granting, execution and delivery of the Lease to be in Guarantor's best interest and, as the only shareholder [member] of Tenant, Guarantor expects to derive benefit therefrom.

k. Should Landlord be obligated by any bankruptcy or other law to repay to Tenant or Guarantor or to any trustee, receiver or other representative of either of them, any amounts previously paid, then this Guaranty shall be reinstated in the amount of such repayment. Landlord shall not be required to litigate or otherwise dispute its obligation to make such repayments if it in good faith and on the advice of counsel believes that such obligation exists.

1. This Guaranty and the obligations of Guarantor hereunder shall survive the expiration or earlier termination of the Lease.

REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK

IN WITNESS WHEREOF, the Guarantor and Tenant (for the purpose of accepting Agent's obligations) have duly executed this Guaranty as of the day and year first written above.

GUARANTOR:

ALLIANCE DATA SYSTEMS CORPORATION

By: _____

Name: Alan M. Utay

Title Executive Vice President,
Chief Administrative Officer,
General Counsel and Secretary

GUARANTOR:

STATE OF TEXAS

ss:

COUNTY OF COLLIN

On this 9th day of March, in the year 2007, before me, the undersigned, personally appeared Alan M. Utay, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public: Kelli W. Hunt

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (this "Agreement"), made and entered into as of this 22nd day of March, 2007 by and among Epsilon Data Management LLC, a Delaware Limited Liability Company, having offices at 601 Edgewater Dr., Mailstop 5/M06, Wakefield, MA 01882 ("Tenant"), 11 WEST 19TH STREET ASSOCIATES LLC, a New York limited liability company, having an office at c/o Block Buildings LLC, 499 Seventh Avenue, 21st Floor, New York, New York 10018 (the "Landlord") and THE BANK OF NEW YORK, a New York corporation, having an office at One Wall Street, New York, New York 10286, as Administrative Agent for the benefit of the Lenders (each a "Lender" and collectively the "Lenders") under that certain Credit Agreement hereinafter defined ("Administrative Agent").

WITNESSETH

WHEREAS, by Lease dated March 15, 2007, as amended (hereinafter collectively referred to as the "Lease"), 11 West 19th Associates LLC Landlord leased and rented to Tenant certain premises located at 11 West 19th Street (a/k/a 10-16 West 20th Street, New York, New York (the "Property"), which Property is more particularly described in Exhibit A attached hereto and made a part hereof; and

WHEREAS, the Property is or is to be encumbered by a mortgage or mortgages or other similar security agreement (collectively, the "Mortgage") in favor of or to be assigned to Administrative Agent for the benefit of the Lenders pursuant to the terms of a Credit Agreement dated as of April 6, 2006 by and among Landlord, Administrative Agent and the Lenders party thereto (as the same may be amended from time to time, the "Credit Agreement"); and

WHEREAS, Administrative Agent and the Lenders do not wish to make the loan or loans secured by the Mortgage or to consent to Tenant's Lease, unless Tenant subordinates the Lease and Tenant's rights thereunder to the lien and provisions of the Mortgage; and

WHEREAS, pursuant to and under the terms set forth in the Mortgage, Landlord has assigned to Administrative Agent for the benefit of the Lenders all of its right, title and interest in the Lease and the rents payable thereunder to Administrative Agent for the benefit of the Lenders as security for the performance of Landlord's obligations secured by the Mortgage; and

WHEREAS, Tenant and Administrative Agent desire hereby to establish certain rights, safeguards, obligations and priorities with respect to their respective interests by means of this Subordination, Non-Disturbance and Attornment Agreement;

NOW THEREFORE, for and in consideration of the premises and the mutual covenants and promises herein contained, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Tenant and Administrative Agent agree as follows:

1. Subject to the terms hereof, the Lease and the rights of Tenant thereunder are and at all times hereafter shall be subject and subordinate to the lien of the Mortgage and to all of the terms, conditions and provisions thereof, to all advances made or to be made thereunder, to the full extent of the principal sum and interest thereon from time to time secured thereby, and to any renewal, substitution, extension, modification, consolidation, spreader or replacement thereof, including any increase in the indebtedness secured thereby or any supplements thereto, with the same force and effect as if the Mortgage had been executed, delivered and recorded prior to the execution and delivery of the Lease. In the event that Administrative Agent, the Lenders or any other person acquires title to the Property pursuant to the exercise of any remedy provided for in the Mortgage or by reason of the acceptance of a deed in lieu of foreclosure (the Administrative Agent, the Lenders and any other such person and their participants, successors and assigns being referred to herein as the **"Purchaser"),** Tenant covenants and agrees to attorn to and recognize and be bound to Purchaser as its new Landlord, and subject to the proviso in Paragraph 2 of this Agreement, the Lease shall continue in full force and effect as a direct Lease between Tenant and Purchaser, except that, notwithstanding anything to the contrary herein or in the Lease, the provisions of the Mortgage will govern with respect to the disposition of proceeds of insurance policies and condemnation awards.

2. So long as the Lease is in full force and effect, and Tenant is not in default under any provision of the Lease or this Agreement (after notice and expiration of any applicable grace period), and no event has occurred which has continued to exist for a period of time (after notice, if any, required by the Lease) as would entitle Landlord to terminate the Lease or would cause without further action by Landlord, the termination of the Lease or would entitle Landlord to dispossess the Tenant thereunder:

(a) The right of possession of Tenant to the leased premises shall not be terminated or disturbed by any steps or proceedings taken by Administrative Agent or the Lenders in the exercise of any of its rights under the Mortgage;

(b) The Lease shall not be terminated or affected by said exercise of any remedy provided for under the Mortgage, and Administrative Agent hereby covenants that any sale by it of the Property pursuant to the exercise of any rights and remedies under the Mortgage or otherwise, shall be made subject to the Lease and the rights of Tenant thereunder.

3. In no event shall Administrative Agent, the Lenders or any other Purchaser be:

(a) liable for any accrued obligation of, or any act or omission of, the Landlord or any prior landlord;

(b) liable for the return of any security deposit which was delivered to Landlord, but which was not subsequently delivered to Administrative Agent, the Lenders or any other Purchaser;

(c) subject to any offsets, defenses or counterclaims which the Tenant might have against Landlord or any prior landlord, except for any offset rights expressly set forth in Sections 43,45 and *66* of the Lease;

(d) bound by any payment of rent or additional rent which Tenant might have paid to Landlord or any prior landlord for more than the current month;, or

(e) bound by any action listed in Paragraph 7(a) through (e) below made without Administrative Agent's or such other Purchaser's prior written consent.

4. Neither Administrative Agent, the Lenders nor any Purchaser shall be obligated to undertake or complete any renovations, additions or capital improvements to the Property or the premises demised under the Lease, nor to pay or reimburse the cost of any construction or other special landlord work (either presently underway or hereafter to be undertaken, nor to make any repairs to the Property or to the premises demised under the Lease as a result of any fire or other casualty or by reason of condemnation unless the Lease requires the Landlord to do so and sufficient casualty insurance proceeds or condemnation awards have been received by the Administrative Agent, the Lenders or Purchaser, as the case may be, to pay for the completion of such repairs, and whether or not the same is set forth in the Lease or any other agreement), nor, so long as the Mortgage remains outstanding and unpaid, shall the proceeds of any insurance or condemnation awards be applied other than as provided for in the Mortgage; provided, however, such lack of liability on the part of Administrative Agent, the Lenders or any such Purchaser pursuant to this subparagraph shall not affect Tenant's rights of offset or termination described in the Lease in the event of such failure to complete such improvements as long as Tenant has provided any applicable notices and cure periods as required under the Lease and this Agreement.

5. Tenant agrees to give prompt written notice to Administrative Agent of any default by Landlord under the Lease which would entitle Tenant to cancel the Lease or abate the rent payable thereunder, and agrees that, notwithstanding any provision of the Lease, no notice of cancellation thereof given on behalf of Tenant, shall be effective unless Administrative Agent has received said notice and has failed within forty-five (45) days of receipt thereof in the case of a monetary default, or within sixty (60) days of the date of receipt thereof in the case of a nonmonetary default, to cure Landlord's default, or if the default is non-monetary and cannot be cured within such sixty (60) day period and Administrative Agent has given Tenant written notice of its intention to cure, such sixty (60) day cure period shall be extended for so long as Administrative Agent is diligently prosecuting the cure of Landlord's default which gave rise to such right of cancellation. Tenant further agrees to give such notices to any successor of Administrative Agent, provided that such successor shall have given written notice to Tenant of its acquisition of Administrative Agent's interest in the Mortgage and designated the address to which such notices are to be sent. The foregoing provisions of this Section 5 shall not apply to any abatement or termination rights expressly granted to Tenant under Sections 43, 45 or 66 of the Lease.

6. Tenant acknowledges that Landlord will execute and deliver to Administrative Agent for the benefit of the Lenders Assignments of Leases and Rents conveying the rentals under the Lease as additional security for the loan secured by the Mortgage, and Tenant hereby expressly consents to such Assignments.

7. Tenant agrees that it will not, without the prior written consent of Administrative Agent, do any of the following, and any such purported action without such consent shall be void as against Administrative Agent and the Lenders:

(a) modify or amend or terminate the Lease; or

(b) enter into any extensions or renewals thereof in such a way as to reduce the rent, accelerate rent payments, shorten the term of the lease, or change any renewal option; or

(c) prepay any of the rents, additional rents or other sums due under the Lease for more than one (1) month in advance of the due dates thereof; or

(d) tender or accept a surrender of the Lease or make a prepayment of rent in excess of one month of rent thereunder; or

(e) assign the Lease or sublet the premises demised under the Lease or any part thereof except pursuant to the provisions of the Lease; or

(f) subordinate or permit subordination of the Lease to any lien other than the Mortgage, except to the extent required to do so pursuant to the terms of the Lease.

8. Landlord hereby irrevocably authorizes and directs Tenant to pay to Administrative Agent, or to such person or firm designated by Administrative Agent, all rent and other monies due and to become due to Landlord under the Lease after notice from Administrative Agent to Tenant that there has occurred and is continuing an Event of Default under the Mortgage. Tenant shall be entitled to rely upon any such notice received from Administrative Agent, and shall have no duty to inquire concerning the truth or efficacy of any such notice or to honor any contrary notice or demand received from Landlord and all such payments by Tenant shall be deemed payments made in satisfaction of Tenant's obligations under the Lease. Tenant shall, after such notice from Administrative Agent, pay to Administrative Agent, or to such person or firm designated by Administrative Agent, all rent and other monies due and to become due to Landlord under the Lease. Such receipt of rent by Administrative Agent or any other party shall not relieve Landlord of its obligations under the Lease, and Tenant shall continue to look to Landlord only for performance thereof. No person or entity who exercises a right, arising under the Mortgage or any assignment of the Lease, to receive the rents, additional rents or other sums payable by Tenant under the Lease shall thereby become obligated to Tenant for the performance of any of the terms, covenants, conditions and agreements of Landlord under the Lease.

9. Tenant agrees that if Administrative Agent or the Lenders acquire title to the Property as a result of foreclosure of the Mortgage, the acceptance of a deed in lieu of such foreclosure, or obtaining control of the Property pursuant to the remedies contained in the Mortgage, the laws of the State of New York or otherwise, Administrative Agent and the Lenders shall have no personal liability to Tenant and Tenant shall look solely to the Property and the proceeds therefrom for the satisfaction of any judgment in the event of any default or breach by Landlord with respect to any of the terms, covenants, and conditions of the Lease to be observed or performed by Landlord and any other obligation of Landlord created by or under the Lease. Further, in the event of any transfer by Administrative Agent or the Lenders of Landlord's interest in the Lease, Administrative Agent and the Lenders shall be automatically freed and released, from and after the date of such transfer or conveyance, of all liability for the performance of any covenants and agreements which accrue subsequent to the date of such transfer of Landlord's interest and such transferee shall be solely liable for the performance of such covenants and agreements.

10. Tenant agrees to certify in writing to Administrative Agent, upon request, whether or not, to its knowledge, any default on the part of Landlord exists under the Lease and the nature of any such default.

11. The foregoing provisions shall be self-operative and effective without the execution of any further instruments on the part of either party hereto. However, Tenant agrees to execute and deliver to Administrative Agent such other instruments as Administrative Agent shall reasonably request in order to evidence the full subordination of the Lease to the lien of the Mortgage and otherwise effectuate the provisions of this Agreement.

12. From and after payment in full of the loan secured by the Mortgage and the recordation of a release or satisfaction thereof, without the transfer of the Property to Administrative Agent or the Lenders as a Purchaser, this Agreement shall become void and of no further force or effect.

13. The term "Administrative Agent" as used herein shall include the successors and assigns of Administrative Agent and any person, party or entity which shall become the owner of the Property by reason of foreclosure of the Mortgage or the acceptance of a deed in lieu of a foreclosure of the Mortgage or otherwise. The term "Lenders" as used herein shall mean and include the present Lenders under the Credit Agreement and any such Lender's successors and assigns. The term "Landlord" as used herein shall mean and include the present landlord under the Lease and such landlord's predecessors and successors in interest under the Lease. The term "Property" as used herein shall mean the Property, the improvements now or hereafter located thereon and the estates therein encumbered by the Mortgage.

14. The agreements herein contained shall be binding upon and shall inure to the benefit of the parties hereto, their respective participants, successors, and assigns, and, without limiting such, the agreements of Administrative Agent shall specifically be binding upon any Purchaser of the Property at foreclosure or at a sale under power.

15. This Agreement may not be modified other than by an agreement in writing signed by the parties hereto or their respective successors.

16. This Agreement may be signed in counterparts, all of which taken together shall constitute one and the same instrument, and each of the parties hereto may execute this Agreement by signing any such counterpart.

17. If any term or provision of this Agreement shall to any extent be held invalid or unenforceable, the remaining terms and provisions hereof shall not be affected thereby, but each term and provision hereof shall be valid and enforceable to the fullest extent permitted by law.

18. All notices, demands or requests, and responses thereto, required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed to have been sufficiently given or served for all purposes when sent by certified or

registered mail, postage prepaid, return receipt requested, or nationwide commercial courier service, and addressed to the party as provided below or at such other place as such party may from time to time designate in a notice to the other parties. Any notice shall be effective three (3) business days after the letter transmitting such notice is certified or registered and deposited in the United States Mail, or, if delivery is by nationwide commercial courier service, one (1) business day after the letter transmitting such notice is delivered to such commercial courier service. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice has been given shall constitute receipt of the notice, demand or request sent. Any such notice, if given to Administrative Agent, shall be addressed as follows:

The Bank of New York, as Administrative Agent
One Wall Street - 21st Floor New York, New York
10286 Attention: Anthony J. Verzi
Vice President
Real Estate Department

with a copy to:

Emmet, Marvin & Martin, LLP
120 Broadway
New York, New York 10271
Attention: John P. Uehlinger, Esq.

If given to Tenant, shall be addressed as follows:

Laura Vosburgh Marshall
Senior Director, Facilities & Real Estate
Epsilon
601 Edgewater Drive
Mailstop 5/M06
Wakefield, MA 01880

Alliance Data Systems, Inc.
General Counsel 17655
Waterview Parkway Dallas,
TX 75252

If given to Landlord, shall be addressed as follows:

11 West 19th Street Associates LLC
c/o Block Buildings LLC
499 Seventh Avenue, 21st Floor
New York, New York 10018

19. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

(balance of page left intentionally blank)

IN WITNESS WHEREOF, Tenant, Landlord and Administrative Agent have caused this Agreement to be executed as of the day and year first above written.

TENANT:

EPSILON DATA MANAGEMENT LLC

BY: Leigh Ann K. Epperson
Title: Assistant Secretary

ADMINISTRATIVE AGENT:

THE BANK OF NEW YORK,
as Administrative Agent

By: Anthony J. Verzi
Title: Vice President

LANDLORD:

11 West 19th Street Associates LLC

By: Block Buildings LLC, Manager
Name: Thomas Block
Title: President

STATE OF TEXAS

COUNTY OF COLLIN

On the 22 day of March in the year 2007 before me, the undersigned, a notary public in and for said State, personally appeared Leigh Ann K. Epperson personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that s/he executed the same in her/his capacity, and that by her/his signature on the instrument, the individual, or the persons upon behalf of which the individual acted, executed the instrument.

Notary Public: Kelli W. Hunt

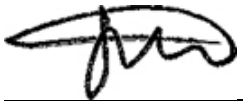
STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 27th day of March in the year 2007 before me, the undersigned, a notary public in and for said State, personally appeared Thomas Block personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that s/he executed the same in her/his capacity, and that by her/his signature on the instrument, the individual, or the persons upon behalf of which the individual acted, executed the instrument.

[NOTARY STAMPS APPEARS HERE]

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 28th day of March in the year 2007 before me, the undersigned, a notary public in and for said State, personally appeared ANTHONY J. VERZI personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that s/he executed the same in her/his capacity, and that by her/his signature on the instrument, the individual, or the persons upon behalf of which the individual acted, executed the instrument.



Notary Public

[NOTARY STAMPS APPEARS HERE]

EXHIBIT A

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County, City and State of New York, being bounded and described as follows:

BEGINNING at a point in the southerly side of 20th Street distant 245 feet westerly from the intersection of the southerly side of 20th Street and the westerly side of Fifth Avenue; and

RUNNING THENCE southerly parallel with Fifth Avenue and part of the way through a party wall 92 feet to the center line of the block;

THENCE easterly along said line 25 feet;

THENCE southerly parallel with Fifth Avenue and part of the way through another party wall 92 feet to the northerly side of 19th Street;

THENCE westerly along the northerly side of 19th Street 125 feet;

THENCE northerly parallel with Fifth Avenue and pail of the way through another party wall 184 feet to the southerly side of 20th Street; and

THENCE easterly along the southerly side of 20th Street 100 feet to the point of BEGINNING.

11 West 19th Associates LLC AS LANDLORD

Epsilon Data Management LLC AS TENANT

FOR SPACE KNOWN AS THE ENTIRE 9th AND ENTIRE 1Oth FLOORS IN THE BUILDING 11 WEST 19th STREET NEW YORK, NY

The Tenant agrees to purchase electric from 11 West 19th Associates LLC. (hereinafter referred to as the “Meter Company”) supplying electric current to the building, all electric current consumed, used or to be used in the demised premises, and all replacement bulbs and lamps required, during the term and to pay for the installation thereof. The amount to be paid by Tenant for electric current consumed shall be determined by the meter or meters in the premises, or to be installed and billed according to each meter. Bills for current consumed shall be rendered by the Meter Company to Tenant at such times as the Meter Company may elect and shall be accompanied by bills from the Meter Company containing a computation of the electric charges. The Meter Company may request that Tenant make estimated equal monthly payments each month which shall be payable in the same manner as base rent, subject to adjustment at least annually, which adjusted sum shall be payable thirty (30) days after rendition of a bill therefor. Tenant agrees to pay for all electric current consumed, at a rate specified as the Tenant’s base rate as of the date of this lease which shall be 108% of the actual costs thereof paid from time to time by the Meter Company (excluding taxes and surcharges) plus applicable taxes on the actual costs. If, in the reasonable opinion of the Meter Company, Tenant’s installation overloads any riser or risers, and/or switch or switches, and/or meter or meters in the building of which the demised premises are a part, Tenant will at Tenant’s own expense, provide, install and maintain any riser or risers, and/or any or all switch and/or switches or meter or meters that may be necessary, but no riser or risers, and/or switch or switches or meter and/or meters will be installed without the written permission of the Meter Company but Section 42.B of the Lease shall control in the case of any inconsistency herewith. All meters to be installed will be purchased from the Meter Company and all risers, switches and meters so installed shall be, become and remain the property of the building but the building may, at its option, demand of Tenant and Tenant shall, upon such demand remove all such meters, switches or related equipment at Tenant’s own cost and expense.

In the event the sale of the electric current in the building containing the demised premises is hereafter prohibited and/or regulated by any law hereinafter enacted, or by any order or ruling of the Public Service Commission of the State of New York, or by any judicial decision of any appropriate court, then the Meter Company, by reason of such prohibition, and/or regulation and/or for any other reason whatsoever, may, at is option and in its sole and absolute discretion, elect to terminate the practice of submetering in the building containing the demised premises; and upon such election, Tenant will, upon notice from the Meter Company, apply within twenty (20) days thereafter to the appropriate Public Service Corporation servicing the building containing the demised premises for electric service, and comply will all the rules and regulations of such Public Service Corporation, and all costs associated with and pertaining thereto, and the Meter Company shall be relieved of any further obligation to furnish electric current to the Tenant pursuant to this rider as of the date of supply thereof by the Public Service Corporation but shall allow Tenant to use any wiring in place and shall allow Tenant adequate shaft and other space to install any additional wiring and equipment so required and (Tenant shall

be relieved from paying any amounts to the Meter Company except as hereinafter provided. The Meter Company may, however, if it so elects, furnish unmetered current to Tenant, and Tenant shall pay to the Meter Company on the first day of the month next following such furnishing of unmetered current to be pro rated to the first of the month and monthly thereafter during the term of this lease, so long as unmetered electric current is furnished to the Tenant, a sum equal to one-twelfth of the invoices billed to Tenant for all electric consumed in the demised premises for the twelve month period directly preceding the month in which the furnishing of unmetered current to the Tenant is commenced by the Meter Company and/or as estimated at any time by the Meter Company as hereinabove and below provided. Tenant will not install or use any electrically operated equipment, machinery or appliances that were not in the demised premises during the twelve-month period immediately preceding the Meter Company supplying unmetered electric current to the demised premises, as aforesaid, if causing a material increase in consumption nor shall Tenant make any change in the wiring of the demised premises without the prior written consent of the Meter Company first obtained, which consent shall not be unreasonably withheld or delayed. If Tenant reduces is electrical consumption, corresponding reduction shall be made in Tenant’s payment. If after the date the Meter Company commences supplying unmetered current to Tenant, any additional electrically operated equipment is installed in the premises or the hours of usage of the electric installation are increased in the demised premises, then the monthly payment to the Meter Company shall be increased equal to the value of the additional electric current consumed by such newly installed electrically operated equipment and/or increased hours of usage of the electric installation, such increased value to be determined consistent with the 108% formula set forth above. If after the date the Meter Company commences supplying unmetered electric current to Tenant there is any increase or decrease in the utility bill, charge or cost is imposed upon the building at any time from any source, such increase or increases shall be charged to and paid by Tenant to the Meter Company consistent with the 108% formula set forth above. At no time shall the utility rate, or any component . charge or cost thereof, billed by the Meter Company to the Tenant be less than that charged or billed to the Meter Company.

Rigid conduit only will be allowed by the OWNER for exposed work.

PLEASE INITIAL LANDLORD

PLEASE INITIAL TENANT

EXHIBIT

Vertical Transportation Systems Consultants
vda
212-868-9090
Fax: 212-868-9099
E-mail: contact@vdassoc.com
VDA LLC • Seven Penn Plaza. Suite 535 • New York; NY 10001-0020

February 6, 2007 ____ memorandum

to:	Grant Greenspan-	Kaufman Organization
from:	Robert Cuzzi	
subject:	11 West 19th Street -	Modernization of 20* Street Elevators
copy:	Peter Nichols - JohnFrondi -	Kaufman Organization VDA

Following is a summary of modernization work to be performed on the two (2) automatic passenger elevators located on the 20th Street side of the building.

Overview Summary - Modernization of Passenger Elevators PE 5 & PE 6 (20^ Street Cars)

VDA LLC recommends modernization of Passenger Elevators PE 5 & PE 6, located on the 20th Street side of 11 West 19th Street, in order to renew these systems for a long-term, efficient operating life cycle of 15 to 20 years.

In order to accomplish a successful modernization project, VDA will prepare a complete set of technical bid specifications, detailing the work to be performed, and assist client in pre-qualifying elevator contractors who are fully capable of completing this work ina quality, timely and efficient manner. Once ,the project is completed, we recommend that the elevators be maintained by the selected modernization contractor under a full-service preventive maintenance agreement, to insure continued proper operation and reliability of these systems.

The following main components will be addressed as part of this modernization project:

- Upgrade/ replacement of existing controller system
- Installation of new variable frequency AC drive system
- Installation of new AC Drive Motor
- Installation of solid-state leveling / landing device
- Complete Overhaul or Replacement of Main Machine Assembly (further evaluation is necessary)
- Modernization of Door Operator Assembly and related door equipment
- Replacement / upgrade of fixtures for code compliance
- Optional aesthetic upgrades of cab interior (possible replacement / upgrade of cab dependant upon machine options)
- Installation of new hoistway traveling cables, wiring, hardware and related items

VDA will provide a final outline specification upon performance of re-survey for modernization.

Exhibit 10.21

OFFICE LEASE

BETWEEN:

LOCATION [3] LIMITED

LANDLORD

AND

3407276 CANADA INC., Operating as
Bridgepoint Enterprises

TENANT

DATED: **20th day of July, 1999**

BUILDING: **55 York Street**
Toronto, Ontario

INDEX

OFFICE LEASE

THIS LEASE made as of the 20th day of July, 1999.

IN PURSUANCE OF THE SHORT FORMS OF LEASES ACT

BETWEEN:

LOCATION [3] LIMITED

(hereinafter called the "Landlord") OF THE FIRST PART - and-

3407276 CANADA INC., operating as
Bridgepoint Enterprises

(hereinafter called the "Tenant")

OF THE SECOND PART

WITNESSETH that in consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Tenant, the Landlord hereby demises and leases to the Tenant, the Premises located on the third floor of the office building known as 55 York Street in the City of Toronto and more particularly described in the plans and description annexed as Schedule "A" to this lease (hereinafter called the "Premises"). The Rentable Area of the Premises is approximately **Four thousand, one hundred and twenty one (4,121)** square feet, subject to Architect's verification, which shall be measured and calculated in accordance with subclause 2(s).

TERM 1.

TO HAVE AND TO HOLD the Premises for and during the term of ten (10) years to be computed from the 1st day of November, 1999, and from thenceforth next ensuing and fully to be completed on the **31st**. day of **October, 2009.**

DEFINITIONS

2. Except as otherwise provided in this lease, the following terms, when used throughout this lease, shall have the meanings set out below:

(a) Additional Services shall mean and refer to the services and supervisions supplied by the Landlord referred to in clause 8 and to all other services of any nature or kind supplied by the Landlord to the Tenant in addition to those required to be supplied by the Landlord to the Tenant pursuant to this lease, save and except any services which the Landlord elects to supply to tenants generally, and the costs of which are included in Allocable Operating Expenses.

(b) Allocable Operating Expenses shall have the same meaning as is attributable to such term in clause 7 hereof.

(c) Allocable Taxes shall mean and refer to all taxes, rates, duties, levies (including without limitation, commercial concentration levies) and assessments whatsoever, whether municipal, parliamentary or otherwise levied, imposed or assessed against the Building, or from time to time levied, imposed or assessed in the future in lieu thereof, or for which the Landlord is liable including those levied, imposed or assessed for education, schools and local improvements, including any capital tax levied in respect of the Building or any part thereof and including all costs and expenses (including legal and other professional fees and interest and penalties or deferred payments) incurred by the Landlord in good faith in contesting, resisting or appealing any taxes, rates, duties, levies or assessments, but excluding:

(i) taxes and licence fees in respect of any business carried on by tenants and occupants of the Building, which taxes are herein sometimes collectively called Business Taxes and shall include without limitation the Business Taxes levied or assessed pursuant to die Assessment Act (Ontario);

(ii) income or profit taxes upon the income of the Landlord, franchise, corporate, estate, inheritance, succession, speculation or transfer tax or any other tax or impost of a personal nature charged to or levied upon the Landlord, to the extent that such taxes are not in future levied in lieu of such taxes, rates, duties, levies and assessments against the Building or upon the Landlord in respect thereof, which taxes are herein sometimes collectively called the **Landlord's Income Taxes;** and

(iii) all taxes, rates, duties, levies and assessments (including Business Taxes) which the Landlord recovers from tenants under subclause 6(b) hereof and similar provisions of leases with other tenants, which taxes are herein sometimes collectively called Tenant's Taxes.

(d) Architect shall mean the architect, engineer or surveyor from time to time appointed by the Landlord.

(e) Auditors shall mean and refer to a chartered accountant or a firm of chartered accountants licensed to practice as chartered accountants pursuant to the laws of the Province of Ontario, designated by the Landlord from time to time as Auditors.

(f) Building shall mean and refer to the lands, building and improvements constructed (or to be constructed) by or on behalf of the Landlord upon the lands and premises municipally known as 55 York Street in the City of Toronto and more particularly described in Schedule "A" annexed hereto.

(g) Building Administration Areas shall mean and refer to office space in the Office Premises used by the Landlord or its agents or employees for the management, maintenance or operation of the Building, which space would otherwise be rentable.

(h) Business Day shall mean and refer to any of the days from Monday to Friday inclusive of each week unless such day is a statutory holiday and such additional days as may be designated by the Landlord.

(i) Commencement Date shall mean and refer to the first day of the term.

(j) Cost of. Additional Services shall mean and refer to the Landlord's total cost of providing Additional Services to the Tenant and without limiting the generality of the foregoing shall include the cost of all labour (including salaries, wages and fringe benefits) and material and other direct expenses incurred, the cost of supervision and other indirect expenses capable of being allocated thereto (such allocation to be made upon a reasonable basis) and all other out-of-pocket expenses made in connection therewith including amounts paid to independent contractors; the Cost of Additional Services shall also include an amount equal to fifteen percent (15%) of the Landlord's total cost of providing Additional Services to the Tenant as outlined above (representing an agreed estimate of the expenses to the Landlord for management and indirect expenses incapable of being allocated).

(k) Fire Cross Over Corridors shall mean and refer to corridors connecting staircases on any floor of the Building constructed at any time pursuant to any regulation, requirement or request of the Fire Marshall of the municipality or of any other competent governmental authority, which are designated as Fire Cross Over Corridors by the Landlord

(1) Insured Damage shall mean and refer to that part of any damage occurring to the Premises of which the entire cost of repair (or the entire cost of repair other man a deductible amount properly includable in Allocable Operating Expenses) is actually recoverable by the Landlord under a policy or policies of insurance from time to time effected by the Landlord pursuant to subclause 50 or if to the extent that the Landlord has not insured and is deemed to be a co-insurer pursuant to such clause, would have been recoverable if the Landlord had effected insurance in respect of perils and to amounts and on terms for which it is by that clause . deemed to have insured. Where an applicable policy of insurance contains an exclusion for damages recoverable from a third parry, claims as to which the exclusion applies shall be considered Insured Damage only if the Landlord successfully recovers from the third party.

(m) Leasehold Improvements shall mean and refer to all items generally considered as leasehold improvements, including without limitation all fixtures, improvements, installations, alterations and additions from time to time made, erected or installed by or on behalf of the Tenant or any previous occupant of the Premises in the Premises or by or on behalf of tenants in other premises in the Building including all partitions however affixed and whether or not movable and all wall-to-wall carpeting.

(n) Life Safety Rooms shall mean and refer to office space in the Office Premises designated by the Landlord from time to time for the exclusive holding of controls installed to assist fire and emergency personnel, which space would otherwise be rentable.

(p) Move-In Period shall mean and refer to the period, if any, from the commencement of the term until the time when eighty percent (80%) of the Rentable Area of the Building has been leased to tenants who are required to pay rent to me Landlord by virtue of the readiness of the premises for occupation, or has been agreed to be leased to tenants who are so required to pay rent pursuant to any such agreement to lease.

(p) Normal Business Hours shall mean and refer to the hours from 8:00 A.M. to 6:00 P.M. and such other hours as may be designated by the Landlord on Business Days.

(q) Office Premises shall mean and refer to the portion of the Building which is designated as rentable office area by the Landlord from time to time.

(r) Proportionate Share shall mean and refer to the fraction which has as its numerator the Rentable Area of the Premises and as its denominator the Rentable Area of the Building.

(s) Rentable Area:

(i) as applied to any given floor, Rentable Area shall mean and refer to the area of any such floor measured from the inside surface of the glass line of exterior glazing without deduction for columns and projections necessary to the Building and including all areas within the floor except stairwells (unless installed for the exclusive benefit of a tenant), elevator shafts, flues, stacks, pipe shafts, vertical ducts and the walls enclosing them, Building Administration Areas and designated Fire Cross Over Corridors;

(ii) as applied to the Building, Rentable Area shall mean and refer to the aggregate of the Rentable Areas of each floor designated as Office Premises, excluding the area of the ground floor lobby and entrances, the areas of the Building used to house mechanical and other systems servicing the Building, Building Administration Areas, designated Fire Cross Over Corridors, Life Safety Rooms and areas designated by the Landlord as storage areas;

(iii) as applied to premises occupying the entire Rentable Area of any floor, Rentable Area shall mean and refer to the Rentable Area of such floor, and

(iv) as applied to premises occupying less than the entire Rentable Area of a floor, Rentable Area shall mean and refer to the Rentable Area of any such floor multiplied by a fraction the numerator of which is the area occupied or to be occupied by the Tenant measured from the inside surface of the glass line of exterior glazing to the inside finish of the corridor walls facing the Premises and to the centre of demising walls separating the Premises from adjoining premises without deduction for columns and projections necessary to the Building and the denominator of which is the total area actually occupied or available for occupation by the Tenant and other tenants on the floor measured in the same manner as the Premises.

The calculation of the Rentable Area of the Building, of any floor and of the Premises shall be adjusted from time to time to reflect any structural change in the Building or any change in use or function of any part of the Building.

(t) Shared Costs shall mean and refer to the cost of any services, facilities, utilities or other expenses that are available for the joint use of the Building and any other buildings adjacent to the Building or otherwise, that the Landlord, acting reasonably, allocates or attributes to the Building.

(u) Special Tenant Operating Expenses shall mean and refer to, for any given period, the excess, as reasonably determined by the Landlord, of any expenses incurred by the Landlord for such period relating to the Premises, which expenses would otherwise be Allocable Operating Expenses over what such expenses would have been but for the distinctive configuration of the Premises, or the distinctive nature of the operation of the Tenant's business or the distinctive nature of any of the Tenant's Leasehold Improvements, including but not limited to any excess of air conditioning, heating, lighting, water, electrical power, cleaning and security arrangements.

(v) Tenant when used with a capital "T" shall mean and refer to the Tenant, but where used with a small "t" and where the context so requires shall mean and refer to any individual, partnership, association, corporation or entity occupying any portion of the Building pursuant to a lease with the Landlord, an agreement to lease with the Landlord or pursuant to a sublease or agreement to sublease from any such person.

(w) Utility Charges and Service Costs shall mean the cost of:

(i) all electricity or other utilities supplied to the Premises;

(ii) standard fluorescent tubes, light bulbs and ballasts plus 15% thereof as an administrative-charge; and

(iii) cleaning, maintaining and servicing the electric light fixtures in the Premises plus 15% thereof as an administrative charge.

(x) Year shall mean and refer to a period of twelve months commencing on January 1 and ending on the next ensuing December 31 until changed pursuant to subclause 7(g).

RENT

3. (a) The Tenant shall pay to the Landlord as annual rent for the Premises yearly and every year during the said term the sum of $ of lawful money of Canada payable in equal monthly installments of $* each in advance on the first day of each and every month during the said term without any prior demand therefor and without any deduction, abatement or set-off whatsoever, except where provided under the terms of this lease. Such payments shall be made by cheque or money order payable to the Landlord or as it may direct from time to time, and shall be payable at such place in Canada as the Landlord may direct from time to time, and the first of such equal monthly installments of rent shall become due and payable on the Commencement Date. The rent is based upon an annual rate of$* per square foot of the Rentable Area of the Premises. As soon as reasonably possible after completion of construction of the Premises, the Landlord shall measure and calculate the Rentable Area of the Premises and only at such time shall any necessary adjustments in the rent and additional rent be made, which adjustments shall apply from the Commencement Date. *SEE SCHEDULE “D” ATTACHED HERETO.

PROVIDED that if the term hereof does not commence on the first day of the calendar month, rent for the broken part of the calendar month at the commencement of the said term shall be pro-rated at a rate per day equal to one-three hundred and sixty-fifth (l/365th) of the annual rents specified in this clause.

(b) It is the intent of the Landlord and the Tenant that the rent described above shall be net to the Landlord and that as additional rent the Tenant shall pay to the Landlord the Tenant’s Proportionate Share of Allocable Taxes and Allocable Operating Expenses in equal monthly installments in advance as more particularly hereinafter set forth, and to pay for Utility Charges and Service Costs, any Special Tenant Operating Expenses and any Additional Services as hereinafter set forth.

(c) If the Tenant occupies all or any portion of the Premises before the Commencement Date, the Tenant shall pay to the Landlord on the Commencement Date a rental in respect of the period from the date the Tenant so occupies any portion of the Premises to the Commencement Date, which rental shall be that percentage of the annual rent set out above, and that percentage of the Tenant’s Proportionate Share of Allocable Taxes and Allocable Operating Expenses for one calendar year which the number of days in such period is to 365. The Tenant shall be bound by all the terms, conditions and provisos of this lease during any such period of occupation prior to the Commencement Date.

(d) Provided that if due to the failure of the Landlord to complete construction or to make available the utility services which the Landlord is hereby obliged to furnish, the Premises or any part thereof are not ready for installation of the Tenant's Leasehold Improvements on the Commencement Date of the said term, no part of the rent, or only the proportionate part thereof in the event that the Tenant shall occupy a part of the Premises, shall be payable by the Tenant until such time as the Premises are ready for the installation of the Tenants Leasehold Improvements, or until such time as the Premises would have been so ready but for any delay in completion caused by the Tenant's delay in providing the information and plans described in subclause 4(m) hereof, or due to the Tenant's failure to diligently complete Leasehold Improvements as set out in this lease and the full rent shall accrue only after such last mentioned date, and the Tenant hereby agrees to accept any such abatement of rent in full settlement of all claims which the Tenant might Otherwise have by reason of the Premises not being ready for installation of the Tenant's Leasehold Improvements on the Commencement Date. A certificate of the Architect as to the date the said services were ready and available and construction completed or as to the date upon which the same would have been available and completed respectively but for the aforesaid failure or delay of the Tenant shall be conclusive and binding and rent in full shall become payable from such date.

(e) Taking possession of all or any portion of the Premises by the Tenant shall be conclusive evidence as against the Tenant that the Premises or such portion thereof are in satisfactory condition on the date of taking possession.

TENANT'S COVENANTS

4. And the Tenant covenants with the Landlord:

Rent

(a) To pay rent and Additional Rent

Additional Rent

(b) To pay as Additional Rent its Proportionate Share of Allocable Operating Expenses in accordance with the provisions of clauses 6 and 7 hereof and to pay for Utility Charges and Service Costs, Special Tenant Operating Expenses and Additional Services as hereinafter set forth.

Use

(c) To use the Premises only for the purposes of an office for the conduct of the Tenant's business and not to use or permit to be used the Premises or any part thereof for the purpose of a workshop or for the sale of goods or for any other purpose or business.

(d) Not to commit or permit, except as herein otherwise provided, any waste or injury to the Premises including the Leasehold Improvements and any trade fixtures therein, any loading of the floors thereof in excess of the maximum degree of loading contemplated by the design criteria, or any use or manner of use causing annoyance to other tenants and occupants of the Building.

Insurance

(e) That the Tenant shall, during the entire term hereof and during any period of occupation of the Premises prior to the Commencement Date, at its sole cost and expense, take out and keep in full force and effect and in the names of the Tenant, the Landlord and the mortgagees of the Landlord as their respective interests may appear, the following insurance:

(i) “all risks” insurance upon property of every description and kind owned by the Tenant, in the custody and control of the Tenant or for which the Tenant is legally responsible, is legally liable or which was installed by or on behalf of the Tenant (and which is located within the Building) including without limitation, fittings, installations, alterations, additions, partitions, fixtures and anything in the nature of a Leasehold Improvement in an amount not less than the full replacement cost thereof, with coverage including but not limited to, the perils of fire and standard extended coverage including sprinkler leakage (where applicable), earthquake, flood and collapse. If there is a dispute as to the amount which comprises full replacement cost the decision of the Landlord or the mortgagee of the Landlord shall be conclusive;

(ii) business interruption insurance in such amount as will reimburse the Tenant for direct or indirect loss of earnings attributable to all perils insured against in subclause 4(eX0 above, when applicable, and other perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises or to the Building as a result of such perils;

(iii) public liability and property damage insurance including personal injury liability, contractual liability, nonowned automobile liability and owners’ and contractors’ protective insurance coverage with respect to the Premises and the Tenant’s use of any part of the Building and which coverage shall include the activities and operations conducted by the Tenant and any other person on the Premises. Such policies shall be written on a comprehensive basis with limits of not less than Five Million Dollars ($5,000,000.00) for each occurrence involving bodily injury to any one or more persons, or property damage, and such higher limits as the Landlord or the mortgagees of the Landlord may reasonably require from time to time and all such policies shall contain a severability of interest clause and a cross-liability clause;

(iv) “all risks” tenant’s legal liability insurance for the full replacement cost of the Premises; coverage to include the activities and operations conducted by the Tenant and any other persons on the Premises; and

(v) any other form or forms of insurance as the Tenant or the Landlord or the mortgagees of the Landlord may reasonably require from time to time in form, in amounts and for insurance risks against which a prudent tenant would protect itself.

Each policy required pursuant to this subclause 4(e) shall be in form and with insurers acceptable to the Landlord and shall name as insured the Landlord and anyone designated in writing by the Landlord. All property damage and public liability insurance shall contain a provision for cross-liability and severability of interests as between the Landlord and the Tenant. Each such policy shall contain a waiver of any rights of subrogation which the insurers of the Tenant may have against the Landlord and those for whom the Landlord is in law responsible whether the damage is caused by the act, omission or negligence of the Landlord or those for whom the Landlord is so responsible. Such policies shall contain an endorsement requiring the insurers under such policies to notify the Landlord in writing at least sixty days prior to any material change or cancellation thereof and a waiver in favour of the Landlord and any mortgagee of the Landlord of any breach of warranty clause such that the insurance policies in question shall not be invalidated in respect of the interests of the Landlord and any mortgagee by reason of any breach or violation of any warranties, representations, declarations or conditions contained in such policies and also a clause stating mat the Tenant's insurance policy will be considered as primary insurance and shall not call into contribution any other insurance that may be available to the Landlord. The Tenant shall furnish to the Landlord prior to the commencement of the term certified copies of all such policies for its acceptance, as aforesaid, and shall provide written evidence of the continuation of such policies not less than ten days prior to their respective expiry dates. The cost of premiums for each and every such policy shall be paid by the Tenant If the Tenant fails to maintain such insurance, the Landlord shall have the right, but not the obligation, to do so, and to pay the cost of premium therefor, and in such event the Tenant shall repay to the Landlord, as Additional Rent, forthwith on demand the amount so paid plus fifteen percent (15%) thereof as an administrative charge.

Insurance Proceeds

(f) That in the event of damage or destruction to the Leasehold Improvements in the Premises covered by insurance required to be taken out by the Tenant pursuant to subclause 4(e), the Tenant will use the proceeds of such insurance for the purpose of repairing or restoring such Leasehold Improvements. In the event of damage to or destruction of the Building entitling the Landlord to terminate this lease pursuant to subclause 11(b) hereof, then if the Premises have also been damaged, the Tenant will pay to the Landlord all of its insurance proceeds relating to the Leasehold Improvements in the Premises.

Use of Premises - Insurance

(g) That neither the Tenant nor its officers, directors, agents; servants, licensees, concessionaires, assignees or subtenants shall bring on to the Premises nor do or omit or permit to be done or omitted upon or about the Premises anything which shall cause the rate of insurance payable by the Landlord upon the Premises or the Building or a part thereof or its contents to be increased and if the said rate of insurance shall be increased by reason of the use made of the Premises or by reason of anything done or omitted or permitted to be done or omitted by the Tenant or its officers, directors, agents, servants, licensees, concessionaires, assignees or subtenants or by anyone permitted by the Tenant to be upon the Premises, the Tenant shall pay to the Landlord forthwith upon demand the amount of such increase without prejudice to the Landlord's rights to terminate this lease and re-enter the Premises for breach of this covenant

Use **of Premises Cancellation of Insurance**

(h) That if any policy of insurance upon the Building or any part thereof or the contents shall be canceled or refused to be renewed or granted by an insurer by reason of the use or occupation of the Premises or any part thereof by the Tenant or by any one of its officers, directors, agents, servants,, licensees, concessionaires, assignees, subtenants or by anyone permitted by the Tenant to be upon the Premises, the Tenant shall forthwith upon demand remedy or rectify such use or occupation and if the Tenant shall fail to do so forthwith the Landlord may at its option terminate this lease by leaving upon the Premises notice in writing of such termination and the Tenant shall immediately deliver up possession of the Premises to the Landlord and the Landlord may re-enter and take possession of the Premises and Tenant shall thereupon pay all rent and any other payment for which the Tenant is liable under this lease, apportioned to the date of such termination, together with all losses, damages or costs of any kind arising out of the Tenant's breach of this provision or the termination of this lease under this subclause.

Landlord Not Liable

(0 That the Landlord shall not be liable for any bodily injury or death of, or loss or damage to any property belonging to the Tenant or its employees, invitees or licensees or any other person in, on or about-the Building unless resulting from the actual fault, privity or negligence of the Landlord.

Indemnification of Landord

(j) That the Tenant shall indemnify the Landlord and save it harmless from and against any and all loss (including loss of rentals payable by the Tenant pursuant to this lease), claims, actions, damages, liability and expense in connection with loss of life, personal injury or damage to property arising from any occurrence in, upon or at the Premises, or the occupancy or use by the Tenant of the Premises or any part thereof, or occasioned wholly or in part by any act or omission of the Tenant, its agents, contractors, employees, servants, licensees, concessionaires or

invitees or by anyone permitted to be on the Premises by the Tenant In case the Landlord shall, without fault on its part, be made a party to any litigation commenced by or against the Tenant, then the Tenant shall protect and hold the Landlord harmless and shall pay all costs, expenses and reasonable legal fees incurred or paid by the Landlord in connection with such litigation.

Compliance with Laws

(k) To comply promptly, at its own expense, with and conform to the requirements of all applicable statutes, laws, by-laws, regulations, ordinances and orders of any municipal, federal, provincial or other governmental authority at any time in force during the term hereof and affecting the occupation or use of the Premises, or affecting the condition, equipment or use of the Leasehold Improvements, trade fixtures, furniture, equipment installed in the Premises or affecting the making by the Tenant of any repairs, changes or improvements in the Premises. If the Tenant should default under the provisions of this subclause, the Landlord may, without prejudice to its rights to terminate this lease or to reenter the Premises for breach of covenant contained in this subclause, comply with any such requirements aforesaid and the Tenant shall forthwith pay all costs and expenses incurred by the Landlord in this regard and the Tenant agrees that all such costs and expenses shall be recoverable by the Landlord as if the same were additional rent reserved and in arrears under this lease.

Rules and Regulations

(1) To observe and perform and to cause its employees, invitees and others over whom the Tenant can reasonably be expected to exercise control to observe and perform, the rules and regulations attached as Schedule “B” hereto and such further and other reasonable rules and regulations and amendments and changes therein as may hereafter be made by the Landlord and notified to the Tenant, except that no change may be made that is inconsistent with this lease unless the Tenant consents thereto; the rules and regulations as from time to time amended, are not necessarily of uniform application, but may be waived in whole or in part in respect of other tenants without affecting their enforceability with respect to the Tenant and the Premises and may be waived in whole or in part with respect to the Premises without waiving them as to future application to the Premises; and the imposition of such rules and regulations shall not create or imply any obligation of the Landlord to enforce them or create any liability of the Landlord for their non-enforcement

Alterations

(m) That the Tenant shall not make any alteration, addition or improvement or construct or place any Leasehold Improvements therein without first submitting the plans and specifications (including materials to be used) thereof to the Landlord and without first obtaining the approval in writing thereof of the Landlord, such approval not to be unreasonably withheld. Any erection, addition or improvement placed upon the Premises shall be subject to all the provisions of this lease, and if removed as hereinafter provided, the Tenant shall repair all damage caused by the installation and removal thereof. The Landlord may from time to time prepare and distribute to the Tenant design criteria setting forth the

Landlord's usual standards for the obtaining of approval for any such alteration, addition, improvement, construction or placing by the Tenant, but such design criteria shall not prejudice the Landlord's right to refuse consent and shall not relieve the Tenant from the obligation to obtain the approval of the Landlord for any such activity.

Energy Conservation

(n) To comply with reasonable measures introduced by the Landlord or measures introduced by legislative authority from time to time in the interest of energy conservation and to control Allocable Operating Expenses whereby the Landlord may by the use of a pulse or other system turn out or reduce all lighting in the Office Premises except emergency lighting and lighting which the Tenant may separately control by local switching for the Premises (the Landlord to communicate from time to time to the Tenant the schedule for the use of such a system) and reduce energy consumption in the Office Premises, provided that if the Tenant does not participate in such approved measures with respect to the Premises, the Tenant may be required to pay, as Special Tenant Operating Expenses, for the additional energy consumed in the Premises or the Office Premises as a result of its not participating in such measures

Repairs

(o) That the Tenant shall repair, reasonable wear and tear and damage by fire, lightning, tempest, standard extended coverage insurance perils, structural defects and weakness only excepted; but this obligation shall not extend to structural members or to exterior glass or to repairs which the Landlord would be required to make pursuant to subclause 5(h) but for the exclusion therefrom of defects not sufficient to impair the Tenant's enjoyment of the Premises while using them in a manner consistent with this lease; if the Premises occupy the entire Rentable Area of any floor of the Building, the Tenant shall repair as aforesaid and maintain any washrooms for which the Tenant has exclusive use on any such floor. The Landlord or its agent at all reasonable times during the term may enter the Premises to inspect the condition thereof, where an inspection reveals repairs are necessary and required by the lease to be done by the Tenant, the Landlord shall give the Tenant notice in writing and thereupon the Tenant shall within five (S) days from the delivery of the notice, make or commence making and diligently proceed with the necessary repairs in a good and workmanlike manner; if the Tenant fails to repair after receiving notice as aforesaid the Landlord may commence or complete the necessary repairs and any expenses so incurred by the Landlord plus 15% thereof as an administrative charge shall be recoverable by the Landlord as if the same were additional rent reserved and in arrears.

Damage by Tenant

(p) That if any part of the Building, including exterior glass and the systems for interior climate control and for the provision of utilities, becomes out of repair, damaged or destroyed through the negligence of or misuse by the Tenant or its employees, agents, invitees or others under its control, the expense of repairs or replacements thereto necessitated thereby, plus 15% thereof as an administrative charge, shall be reimbursed to the Landlord by the Tenant promptly upon demand save in respect of Insured Damage.

Electrical Facilities

(q) That the Tenant shall not install or use any electrical or other equipment or electrical arrangement which may overload the electrical or other service facilities unless it does so with the express written consent of the Landlord and at its own expense makes whatever changes are necessary to comply with the reasonable and lawful requirements of the Landlord's insurance underwriters and governmental authorities having jurisdiction and in any event the Tenant shall make no changes until it first submits the plans and specifications for the same to the Landlord and obtains the Landlord's written approval for such plans and specifications, which approval will not be unreasonably withheld.

Abandonment

(r) In the event that the Premises shall become vacant or be abandoned or not be used for the purpose aforesaid and remain so for a period of four (4) days or if the Premises shall be used by any other person or persons than the Tenant or for any other purpose than that for which the same were let,, without the written consent of the Landlord, then the installments of rent accruing due during the next ensuing three (3) months shall immediately become due and payable to the Landlord and the Landlord, in addition to any other remedies which it may have, shall have the right to enter the Premises as agent of the Tenant, either by force or otherwise without being liable for any prosecution therefor, and to relet the Premises as agent of the Tenant, and to receive the rent therefor to be applied on account of the rent payable hereunder, or the Landlord may, at its option, terminate this lease, or the Landlord may re-enter and take possession of the Premises and notwithstanding the foregoing obligation to pay the rent accruing due during the next ensuing three months, the Tenant shall continue to be liable to the Landlord for the rent reserved hereby for the balance of the term and the Tenant shall also be liable to the Landlord for any and all loss occasioned by reason of such abandonment, vacating or improper use of the Premises.

Nuisance

(s) That the Tenant shall not cause or maintain any nuisance in or about the Premises, and shall keep the Premises free of debris, rodents, vermin and anything of a dangerous, noxious or offensive nature or which could create a fire hazard (through undue load of electrical circuits or otherwise) and shall not cause any undue vibration, heat or noise.

LANDLORD'S COVENANTS

5. And the Landlord covenants with the Tenant

Quiet Enjoyment

(a) If the Tenant pays the rent and additional rent and other sums herein provided, and observes and performs all the terms, covenants and conditions on the Tenants part to be observed and performed, the Tenant shall be entitled to peaceably and quietly hold and enjoy the Premises for the term hereby demised without hindrance or interruption by the Landlord, or any other person lawfully claiming by, through or under the Landlord subject, nevertheless, to the terms, covenants and conditions of this lease.

Heating, Ventilating and Air Conditioning

(b) To maintain in the Premises conditions of reasonable and comfort during Normal Business Hours in accordance with standards interior climate control generally pertaining at the date of this lease applicable to normal occupancy of premises for office purposes, such conditions to be maintained by means of a system for heating and cooling, humidifying and dehumidifying, filtering and circulating air and processed air. The Landlord shall not be responsible for any inadequacy of performance of the said system if the number of persons per square foot of floor area or the amount of electrical power consumed in the Premises exceeds the guidelines set out in the Landlord's design criteria, or if the Tenant installs partitions or other installations in locations which interfere with the proper operation of the system of interior climate control, or if the window coverings on exterior windows are not kept fully closed while the windows are exposed to direct sunlight. If the use of the Premises does not accord with the aforementioned requirements and changes in the system are (in the reasonable opinion of the Landlord) desirable to accommodate such use the Landlord may make such changes and the entire expense of such changes plus 15% thereof as an administrative charge will be reimbursed by the Tenant to the Landlord and shall be recoverable by the Landlord as if the same were additional rent reserved and in arrears. If, in the opinion of the Landlord, such changes result in maintenance costs or operating costs in excess of .those which would have occurred had such changes not been made, the Landlord may estimate the amount of such excess on a reasonable basis and such amount shall be a Special Tenant Operating Expense.

Cleaning

(c) To provide janitorial and cleaning services, including outside window washing, to the Building including the Premises and common areas of the Building consisting of the services to be rendered substantially in accordance with the standards of office buildings of a similar type in the same municipality at the date of this lease. It is agreed by the Tenant that any janitor or cleaning services (including outside window washing) which the Landlord shall provide to the Premises in addition to those described above, shall be Additional Services. It is further agreed that the Landlord shall not be responsible for any act or omission on the part of any person or persons employed to perform such work and shall not be responsible for any loss or damage occasioned by any of such persons.

Utility Services

(d) To bring electrical and telephone service to the floor on which the Premises are situate, and to provide water to washrooms available for the Tenants use. To furnish electricity to the Premises for lighting and for office equipment capable of operating from the circuits available and standard to the Office Premises and the Landlord shall replace from time to time in accordance with some reasonable procedure to be determined by the Landlord the electric light bulbs, tubes and ballasts installed in lighting fixtures standard to the Office Premises, as described in any design criteria distributed by the Landlord to the Tenant If the lighting fixtures installed in the Premises are not in accordance with any design criteria delivered by the Landlord, the Landlord may charge the Tenant, as a Special Tenant Operating Expense, for any amount estimated by the Landlord on a reasonable basis to be the excess of the cost of replacing non-standard

bulbs, tubes and ballasts over what the cost would have been if the lighting fixtures in the Premises had been standard to the Office Premises as aforesaid. The Landlord may from time to time establish a reasonable procedure (and, in that event, shall notify the Tenant) to determine whether the use by the Tenant of electricity is in excess (on a per square foot basis) of the normal office consumption in the Building or outside Normal Business Hours and, if so, may charge the Tenant for the cost of the excess as a Special Tenant Operating Expense. If the Tenant is unsatisfied with such procedure and desires the installation of a separate electricity consumption meter, any installation that may be agreed to by the Landlord shall be at the expense of the Tenant and remain as a Leasehold Improvement.

Elevators

(e) To furnish, except when repairs are being made, passenger elevator service during Normal Business Hours; operatorless automatic elevator service, if used, shall be deemed elevator service within the meaning of this subclause; and to permit the Tenant and the employees of the Tenant to have the free use of such elevator service in common with others, but under no circumstances shall the Landlord be held responsible for any damage, loss or injury happening to any person or property while using the same or occasioned to any person or property by any elevator or any of its appurtenances. All deliveries to the Premises shall be made by the elevator designated by the Landlord during hours prescribed therefor by the Landlord.

Washrooms

(f) To provide washrooms and to give the Tenant and the Tenants employees and all other persons authorized by the Tenant in common with others entitled thereto the right to use the washrooms so provided.

Maintain Building

(g) To operate and maintain the Building, so that the premises shall be suitable for the purpose for which they are hereby leased, but not to maintain anything which under the provisions of this lease is the obligation of the Tenant

Repairs

(h) Subject to the provisions of subclause 4(o) hereof, to keep the Building and the structural members or elements of the Premises in a good and reasonable state of repair and to repair defects in construction performed or installation made by the Landlord to the Building if, and to the extent that such defects impair the enjoyment of the Premises by the Tenant using them in a manner consistent with this lease; provided that the Landlord shall not be required to repair Leasehold Improvements unless and to the extent that damage to any Leasehold Improvements is caused by the negligence of the Landlord.

Snow Removal

(i) Whenever reasonably required, to remove ice and snow from any sidewalks, driveways, private walks or parking lot appurtenant to the Building.

Insurance

(j) To insure and keep insured the Building and all improvements and installations made by the Landlord in the Premises (other than improvements made in the Premises on behalf of the Tenant or any previous occupant of the Premises) against loss or damage by fire, lightning, tempest and such other standard extended coverage insurance perils as are normally entered into from time to time during the term by owners of similar buildings in the same municipality for such an amount as in the opinion of the Landlord is necessary to protect the Landlord against such loss or damage and on such terms and with such insurer as the Landlord may in its absolute discretion determine; it is further agreed that the Landlord shall not be liable:

(i) for any damage (other than Insured Damage) which is caused by steam, water, rain or snow which may leak into, issue or flow from any part of the Building, or from the pipes or plumbing works, including the sprinkler system, or from any other place or quarter or for any damage caused by or attributable to the condition or arrangement of any electric or other wiring or of sprinkler heads or for any damage caused by anything done or omitted by any other tenant;

(ii) for any act or omission (including theft, malfeasance or negligence) on the part of any agent, contractor or person from time to time employed by it to perform janitor services, security services, supervision or any other work in or about the Premises or the Building; or

(iii) for loss or damage, however caused, to money, securities, negotiable instruments, papers or other valuables of the Tenant.

Governmental Requirements

(k) The Landlord shall be deemed to have observed and performed the terms and conditions to be performed by the Landlord under mis lease, including those relating to the provision of utilities and services, if in so doing it acts in accordance with a directive, policy or request of a governmental or quasi-governmental authority serving the public interest in the fields of energy, conservation or security.

Interruption of Services

(1) Provided that the Landlord shall have the right to stop the use of the facilities and the supply of the services mentioned in this clause 5 when necessary by reason of accident or during the making of repairs, alterations or improvements to any of the said services or facilities which-the Landlord in his absolute discretion deems necessary or desirable until the said repairs, alterations or improvements shall have been completed to the satisfaction of the Landlord, but the Landlord shall make such repairs, alterations or improvements with all reasonable speed; the Landlord shall not be liable for failure to operate any of the said facilities or supply any of the said services during any such stoppage as aforesaid, or for any period of time that the Landlord is prevented from operating any such facilities or supplying any such services by reason of strike, by order or regulation of any governmental authority or agency, or failure of electric current, steam or water supply necessary to the operation of any such facility or the supply of any such service or by the failure to obtain any such supply with the exercise of reasonable diligence or by any other cause beyond the Landlord’s reasonable control.

PAYMENT OF TAXES

6. (a) The Landlord covenants with the Tenant to pay all Allocable Taxes.

(b) The Tenant covenants with the Landlord to pay promptly when due to the taxing authority or authorities having jurisdiction, all taxes, rates, duties, levies, and assessments whatsoever, whether municipal, parliamentary or otherwise, levied, imposed or assessed in respect of any and every business carried on in the Premises by the Tenant, subtenants, licensees or other occupants of the Premises or in respect of the use or occupancy thereof, including license fees and Business Taxes levied or assessed pursuant to the Assessment Act, R.S.O. 1980 c. 31. The Tenant further covenants with the Landlord to pay to the Landlord promptly on demand therefor by the Landlord an amount equal to any of the following taxes the Landlord may determine to recover from the Tenant and any amounts so paid by the Tenant to the Landlord (and from all other tenants under corresponding clauses of other leases) shall be excluded in the determination of Allocable Taxes:

(i) all taxes charged in respect of all Leasehold Improvements and trade fixtures and all furniture and equipment made, owned or installed by or on behalf of the Tenant in the Premises; and

(ii) if by reason of the act, election or religion of the Tenant or any subtenant, licensee or occupant of the Premises, the Premises or any part of them shall be assessed for the support of separate schools, the amount by which the taxes so payable exceed those which would have been payable if the Premises had been assessed for the support of public schools. Notwithstanding any other provisions of this lease, the Tenant shall pay to the Landlord an amount equal to any and all goods and services taxes, sales taxes, value added taxes, business transfer taxes, or any other taxes imposed on the Landlord or the Tenant with respect to the rent (annual rent, additional rent or any other amounts payable by the Tenant to the Landlord hereunder) payable by the Tenant to the Landlord under this lease, or in respect of the rental of space under this lease, whether characterized as a goods and services tax, sales tax, value added tax, business transfer tax, or otherwise (hereinafter individually and collectively called “Sales Taxes”). The amount of the Sales Taxes so payable by the Tenant shall be calculated by the Landlord in accordance with the applicable legislation and shall be paid to the Landlord at the same time as the amounts to which such Sales Taxes apply are payable to the Landlord under, the terms of this lease or upon demand or at such other time or times as the Landlord from time to time determines. Despite any other provisions of this lease, the amount payable by the Tenant under this paragraph shall be deemed not to be rent, but the Landlord shall have all of the same remedies for and rights of recovery of such amount as it has for recovery of rent under this lease.

(c) The Landlord may postpone payment of any taxes payable by it and the Tenant may postpone payment of any taxes, rates, duties, levies and assessments payable by it hereunder directly to a taxing authority in each case to the extent permitted by law and if prosecuting in good faith an appeal against the imposition thereof and provided in the case of a postponement by the Tenant that if the Building or any part thereof or the Landlord shall have become liable to assessment, prosecution, fine or other liability, the Tenant shall give security to the Landlord in a form and in an amount reasonably satisfactory to the Landlord in respect of such liability and such undertakings as the Landlord may reasonably require to ensure payment thereof.

(d) Where the determination of any taxes depends upon an apportionment of an assessment which has not been made by the taxing authority or authorities having jurisdiction, the Landlord may determine the same. Any determinations so made by the Landlord shall be binding upon the Tenant unless shown to be unreasonable or erroneous in some substantial respect

(e) Notwithstanding the foregoing, in the absence of any separate assessment of Leasehold Improvements or trade fixtures (if assessable), furniture or equipment of the Tenant referred to in item CO of subclause 6(b) or of other tenants, the Landlord may elect not to make a determination thereof and may from time to time waive payment of amounts which would otherwise be payable by the Tenant under that item (and by other tenants under comparable provisions of other leases of premises in the Building), in which event such amounts shall form part of Allocable Taxes, without prejudice to the right of the Landlord to make any such determination in the future, either generally or in the case of the Tenant or any other tenant where the value of such Leasehold Improvements, trade fixtures, furniture or equipment is unusually large, with the intent mat the enforcement or non-enforcement of the said item (and any like provisions in other leases) shall not operate as to impose any substantial inequity against tenants including the Tenant

(f) Whenever requested by the Landlord, the Tenant will deliver to it receipts for payment of all taxes, rates, duties, levies and assessments payable by the Tenant directly to a taxing authority or authorities and furnish such other information in connection therewith as the Landlord may reasonably require. **-•**

(g) The Tenant agrees that it will not conduct any appeal from any governmental assessment or determination of the value of the Building or any portion thereof whether or not the assessment or determination affects the amount of tax to be paid by the Tenant The Tenant shall instead rely upon the Landlord to conduct any such appeal in the interest of all occupants of the Building and the Landlord agrees that it will do so (with the expense to be included in Allocable Operating Expenses) if the appeal in the opinion of the Landlord would be reasonably likely to attain a favourable result, but the Landlord shall in no event be responsible or liable to the Tenant for any act or failure to act regarding any such appeal unless such act or omission was committed in bad faith.

CALCULATION AND ALLOCATION OF ALLOCABLE AND ALLOCABLE OPERATING EXPENSES

7. (a) Allocable Operating Expenses shall mean and refer to the total amounts incurred, paid or payable, whether by Landlord or by others on behalf of the Landlord, for the management, maintenance and operation of the Building, such costs and expenses to include without limitation:

(i) the total annual costs of insuring the Building and all property in the Building owned by the Landlord or for which the Landlord is legally liable, with such forms of coverage and in such amounts as the Landlord, or its mortgagees (including a trustee for bondholders) may, from time to time determine, including, without limitation, insurance against

(A) any risks of physical loss or damage to the property of the Landlord on a replacement cost basis;

(B) boiler, pressure vessels, air-conditioning equipment and miscellaneous electrical apparatus insurance on a broad form blanket cover repair and replacement basis;

(C) loss of insurable gross profits attributable to all perils insured against by the Landlord or commonly insured against by prudent landlords;

(D) third party liability hazards, including the exposure to personal injury, bodily injury, and property damage on an occurrence basis, and including insurance for all contractual obligations and covering also boiler, pressure vessels, air-conditioning equipment and miscellaneous electrical apparatus actions of all authorized employees, subcontractors and agents while working on behalf of the Landlord; and

(E) any other form or forms of insurance as the Landlord or its mortgagees (including a trustee for bondholders) may reasonably require from time to time for insurable risks and in amounts against which a prudent landlord would protect himself.

(ii) costs and premiums paid for warranties and guarantees;

(iii) complete maintenance, janitorial and cleaning services for the Building, including grounds maintenance, snow removal window cleaning, garbage and waste collection and disposal, and the cost of operating and maintaining any merchandise holding and receiving areas and truck docks;

(iv) elevator maintenance, lighting, public and private utili**ties,** including water and electricity (not otherwise chargeable to any tenant of the Building), together with the cost of energy management programs;

(v) policing, supervision and security services;

(vi) salaries of all personnel employed to carry out maintenance and service operations, including contributions towards usual fringe benefits, unemployment insurance, pension plan contributions and similar contributions;

(vii) the cost to the Landlord of the rental of any equipment and the cost of building supplies used by the Landlord in the maintenance and operation of the Building;

(viii) costs of heating, air-conditioning and ventilation of the Building;

(ix) legal fees as reasonably attributable to the daily operations of the Building but excluding legal fees otherwise recoverable and legal fees for lease enforcement and leasing of the Building;

(x) audit fees in connection with the calculations referred to in this lease;

(xi) any expenses, fees, rentals, costs, and disbursements incurred by or on behalf of tenants with whom the Landlord may from time to time have agreements whereby such tenants perform any cleaning, maintenance, or...other work or services ordinarily performed by the Landlord, and which expenses if incurred by the Landlord would ordinarily be included in Allocable Operating Expenses;

(xii) the total charges of any independent contractors employed in the care, maintenance, cleaning or operation of the Building;

(xiii) Shared Costs;

(xiv) the value of services not reflecting a direct cost to the Landlord including the rental value of Building Administration Areas, Life Safety Rooms and designated Fire Cross Over Corridors;

(xv) depreciation or amortization of:

(A) the costs and expenses, including repair and replacements, of all maintenance and cleaning equipment and master utility meters;

(B) the costs and expenses incurred for repairing or replacing all other fixtures, equipment and facilities serving or forming part of the Building (including, without limitation, the heating, ventilating and airconditioning and climate control systems serving the Building) which by their nature, require periodic or substantial repair or replacement, unless they are charged fully in the Year in which they are incurred, in accordance with sound accounting principles; and

(C) the costs of improvements properly charged to capital account and amortized over their useful life, as determined by the Landlord in accordance with sound accounting principles, if one of the purposes thereof is to reduce energy consumption, or to reduce Allocable Operating Expenses, or if any of such improvements is required by any governmental authority or regulation.

(xvi) the cost of any fee paid to any property manager or property management firm who has contracted with the Landlord to provide property management services for the Building; if the Landlord does not enter into an agreement with a property manager or property management firm, in computing Allocable Operating Expenses there shall be specifically included a fee of an amount equal to the fee customarily charged by property management firms for the management of similar office buildings in the same municipality, which amount is hereby agreed to represent the Landlord's cost of providing property management services to the Building.

If the Building is not fully occupied for any period within the Term, the Allocable Operating Expenses shall be adjusted to reflect full occupancy.

(b) Notwithstanding the provisions of subclause 7(a) hereof, Allocable Operating Expenses shall not include the following:

(i) any administrative wages and salaries or any other general and administrative overhead of the Landlord or commission, advertising costs, or legal expenses in connection with leasing the Building or any part thereof;

(ii) all Costs of Additional Services actually received from tenants and all other sums actually received from tenants (other than rent, Allocable Taxes and Allocable Operating Expenses) to the extent that the amounts so recovered relate to costs included in Allocable Operating Expenses;

(Hi) all insurance premiums reimbursed by any tenant of the Building;

(iv) any amount paid as a fine or a penalty as a result of the violation of law, provided such violation of law was not caused by or contributed to by the Tenant, or the payment of which constitutes a violation of law, or the reimbursement of which would constitute a violation of law,

(v) expenses incurred by the Landlord in respect of charges directly chargeable to other tenants of the Building including electricity used by other tenants of the Building for lighting or for the operation of business equipment and machinery, within such tenants' premises, or with respect to the repair of damage to the Building, all to the extent that the Landlord receives reimbursement or is entitled to receive reimbursement therefor by other tenants of the Building or from the proceeds of insurance;

(vi) the expenses incurred by the Landlord in respect of installation of other tenants' Leasehold Improvements;

(vii) interest and principal on mortgages and capital cost allowance on the Building;

(viii) costs of alterations of the Premises or of the premises of other tenants and corresponding costs as to premises occupied or to be occupied by the Landlord, except as they relate to premises occupied by the Landlord in the performance of its function as Landlord of the Building; and

(ix) subject to subclause 7(aXxv), costs of capital improvements, capital replacements and other expenses properly chargeable to capital account

(c) The Landlord shall determine from time to time the Rentable Area of the Premises and of the Building and shall determine from time to time the Tenant's Proportionate Share. If the Tenant does not dispute the Landlord's determination of the Rentable Area or of the Tenant's Proportionate Share within three (3) months of receipt of notice of such determination, the Tenant shall be deemed to accept the accuracy of such determination and the Tenant shall not be entitled to dispute its amount of its Proportionate. Share of Allocable Taxes and Allocable Operating Expenses on the grounds of any error or inaccuracy in the determination of Rentable Area of the Building and the determination so made by the Architect shall be binding upon the Landlord and the Tenant The cost of the preparation of the certificate of measurement by the Architect shall be at the expense of the Tenant It is understood and agreed that the determination of the Tenant's Proportionate Share may be recalculated by the Landlord from time to time to reflect changes in the Rentable Area of the Building, of the Premises or of other premises.

(d) Insofar as the determination of Tenant's Proportionate Share of Allocable Taxes and Allocable Operating Expenses is dependent upon calculations other man area measurement, the same shall be binding upon the Tenant In the event that the Tenant requests that an audited statement of the calculations be submitted, the Landlord shall have prepared such audited statement, the cost of which shall be payable by the Tenant Any expenses not directly incurred by the Landlord but which are included in Allocable Operating Expenses may be estimated by the Landlord on whatever reasonable basis the Landlord may select

(e) Prior to the commencement of the term and to the commencement of each Year thereafter, the Landlord may estimate the Tenant's Proportionate Share of Allocable Taxes and Allocable Operating Expenses for the ensuing Year and shall notify the Tenant in writing of the estimate. The amount so estimated shall be payable in equal monthly installments in advance over the Year, each installment being payable on each monthly rental payment date as provided in subclause 3(a). From time to time during a Year the Landlord may re-estimate the amount of the Tenant's Proportionate Share of Allocable Taxes and Allocable Operating Expenses for the Year, in which event the Landlord shall notify the Tenant in writing of the re-estimate and shall fix monthly installments for the then remaining balance of such Year.

(f) When the necessary information becomes available, the Landlord shall recalculate the Tenant's Proportionate Share of Allocable Taxes and Allocable Operating Expenses for each Year referred to in subclause 7(e). The Landlord and the Tenant shall expeditiously make between them any readjustment which such recalculation may show to be necessary, so mat the Tenant shall be credited for any overpayment or debited for any deficiency. Neither party may claim a readjustment in respect of the Tenant's Proportionate Share of Allocable Taxes or Allocable Operating Expenses based upon any error of estimation, determination or calculation thereof unless claimed in writing prior to the expiration of six months after the date on which the Tenant has been notified of the recalculation referred to herein, other than any claim for readjustment based upon other matters, including without limitation the outcome of litigation or negotiation affecting expenses which constitute component parts of the Allocable Taxes or Allocable Operating Expenses.

(g) In the event that the Landlord shall change its accounting system or procedures so that it shall become more convenient for the provisions of subclauses 7(e), 7(f) and 7(h) to be administered on the basis of some twelve (12) month period other than one ending on December 31, then the Landlord may determine upon not less than six (6) months written notice to the Tenant and other tenants that such provisions of this lease and comparable provisions of other leases of premises in the Building shall be so administered and after the expiry of the notice period, subclauses 7(e) and 7(f) and 7(h) shall be and be deemed to be appropriately amended to that end.

(h) Notwithstanding the preceding provisions of this clause, during the Move-In Period, the Tenant shall reimburse the Landlord for.

(i) those expenses which, in the reasonable determination of the Landlord relate directly to the occupancy by the Tenant of the Premises, such as cleaning expenses and expenses for the supply of utility services to the Premises. In arriving at the Tenants expenses, the Landlord shall allocate the relevant expenses among the Tenant and other tenants in such manner as the Landlord may reasonably determine. During the Move-In Period the Tenant shall also pay for Additional Services and for its Proportionate Share of Allocable Operating Expenses', and (ii)those taxes ("Tenant's Move-In Taxes") included in the definition of Allocable Taxes which constitute the Tenant's share of all such taxes levied, imposed or

assessed with respect to each Year or broken portion thereof during the Move-In Period that would not have been so levied, imposed or assessed but for the occupancy by the Tenant and other tenants of premises in the Building. The Landlord shall determine in respect of each such year or broken portion thereof the aggregate amount of such taxes, and the Tenant's Move-In Taxes shall be ascertained in such manner as the Landlord may reasonably determine.

ADDITIONAL SERVICES

8. If the Tenant wishes any Additional Services to be performed in or relating to the Premises, it shall so advise the Landlord in writing and the Landlord shall have the right, but not the obligation, to perform any such Additional Services. If the Landlord performs any such Additional Services, the Tenant shall pay the Cost of Additional Services so performed forthwith upon receipt of the invoice therefor from the Landlord. If the Landlord does not wish to exercise its rights to perform any Additional Services, the Tenant shall not cause any such Additional Services to be performed by any person unless and until he has obtained the consent of the Landlord in writing to the performance of such Additional Services by such person, such consent not to be unreasonably withheld.

OVERHOLDING

9. If the Tenant shall continue to occupy the Premises after the expiration of the term of this lease, with the consent of the Landlord and without any further written agreement, the Tenant shall be a monthly tenant at a monthly rental equal to one hundred and twenty percent of the monthly installments of rent payable hereunder during the term hereby granted or any renewal thereof, such rental to be payable in advance on the first day of each and every month and such monthly tenancy to be upon the terms and conditions and subject to all other charges and amounts payable as set out herein except as to length of tenancy.

ASSIGNING SUBLETTING

10. (a) The Tenant agrees that the Tenant will not assign this lease in whole or in part, nor sublet all or any part of the Premises, without the prior written consent of the Landlord in each instance, which consent may not be unreasonably withheld. Without limiting the generality of the foregoing, no assignment or sublease shall be effective and no consent shall be given unless the following provisions have been complied with:

(i) there is not existing any default hereunder on the part of. the Tenant;

(ii) the Tenant shall have given written notice of the making of such assignment or sublease and the effective date thereof within thirty (30) days after the execution and delivery thereof;

(iii) a duplicate original of such assignment or sublease shall be given to the Landlord within thirty (30) days after the execution and delivery thereof; and

(iv) the assignee or sublessee has assumed in writing with die Landlord the due and punctual performance and observance of all the agreements, provisions, covenants and conditions hereof on the Tenant's part to be performed or observed from and after the execution and delivery of such assignment

(b) In the event that the Tenant desires to assign, sublet or part with possession of all or any part of the Premises or to transfer this lease in any other manner, in whole or in part or any estate or interest thereunder, then and so often as such event shall occur, the Tenant shall give prior written notice to the Landlord of such desire specifying therein the proposed assignee, transferee or sublet tenant, and the proposed terms of the agreement and the Landlord shall have the option to cancel this lease by written notice within ten (10) days next following the receipt by it of such notice from the Tenant The notice to be given by the Landlord as aforesaid shall fix the date of termination of this lease and the Tenant shall deliver up possession of the Premises to the Landlord on such date, provided that the Tenant may, by notice delivered to the Landlord within ten (10) days after receipt from the Landlord of a notice of termination under this subclause, elect to continue this lease as to all the Premises and not to assign or sublet, in which event the notice of termination shall be ineffective.

(c) In the event that the Tenant assigns this lease or sublets as aforesaid without the written consent of the Landlord, the Landlord may in its sole discretion terminate this lease forthwith without notice. The consent by the Landlord to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting. This prohibition against assigning or subletting shall be construed to include a prohibition against any assignment or subletting by operation of law. If mis lease be assigned, or if the Premises or any part thereof be sublet or occupied by anybody other than the Tenant, the Landlord may collect rent from the assignee, subtenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of this covenant or the acceptance of the assignee, subtenant or occupant as tenant, or a release of the Tenant or any Guarantor hereunder from the further performance by the Tenant of covenants on the part of the Tenant herein contained. Notwithstanding any assignment or sublease, the Tenant and any Guarantor shall remain fully liable on this lease and shall not be released from performing any of the terms, covenants and conditions of this lease.

(d) Any assignment of this lease if consented to by the Landlord shall be prepared by the Landlord or its solicitors, and any and all legal costs and all Landlord's administrative costs with respect thereto shall be borne by the Tenant

(e) For the purposes of this lease, a transfer of the beneficial ownership of a majority interest in the Tenant (if the Tenant is a corporation) shall be deemed to be an assignment of this lease and subject to all the terms of this clause 10, provided that this subclause 10(e) shall not apply to any corporation, the shares of which are traded on any recognized stock exchange.

DAMAGE OR DESTRUCTION

11. (a) In the event of damage to the Premises or to other portions of the Building which affect access or services essential to the Premises and if the damage is such that the Premises or any substantial part thereof is rendered not reasonably capable of use and occupancy by the Tenant for the purpose of its business for any period of time in excess often (10) days then:

(i) unless the damage was caused by the fault or negligence of the Tenant or its employees, agents, invitees or others under its control, from and after the expiration often (10) days after the occurrence of the damage and until the Premises are again reasonably capable of use and occupancy as aforesaid, the rental payable pursuant to paragraph 3 (but not the Tenant's Proportionate Share of Allocable Taxes and Allocable Operating Expenses, or any other payments required to be made by the Tenant hereunder) shall abate from time to time in proportion to the part or parts of the Premises not reasonably capable of such use and occupancy; or

(ii) subject to subclause (b) below, the Landlord and Tenant shall diligently commence and complete repairs to any such damage in accordance with the. obligations under this lease, but to the extent mat any part of the Premises is not reasonably capable of such use and occupancy by reason of damage which the Tenant is obligated to repair hereunder, any abatement of rent to which the Tenant would otherwise be entitled hereunder shall not extend later man the time by which, in the reasonable opinion of the Landlord, repairs by the Tenant ought to be completed with reasonable diligence.

(b) Notwithstanding subclause 11(a) above, in the event of damage or destruction to the Premises or to the Building which, in the reasonable opinion of the Landlord, cannot be, using reasonable diligence, repaired or made reasonably fit for occupancy within one hundred and eighty (180) days from the date of damage or destruction, then:

(i) if the destruction or damage is to the Building, the Landlord; or

(ii) if the destruction or damage is to the Premises, either party, may terminate this lease on written notice given within forty-five (45) days after the occurrence of such damage or destruction.

(c) In the event of such damage or destruction occurring in the last year of the term hereof or any renewal thereof, so that the Premises or the Building are incapable of being rebuilt or made reasonably fit for occupancy within thirty (30) days from the date of damage or destruction, the Landlord may terminate this lease on written notice given within twenty (20) days after the occurrence of such damage or destruction.

(d) In the event that any mortgagee or other person entitled thereto shall not consent to the payment to the Landlord of the proceeds of any insurance policy for the purpose of rebuilding or restoring the Building or the Premises, the Landlord may terminate this lease on written notice.

(e) Upon the termination of this lease, as hereinbefore provided, rent or the proportionate part of rent abated as aforesaid and any other sums owing by the Tenant to the Landlord shall be apportioned and paid to the date of such termination and the Tenant shall forthwith deliver up possession of the Premises.

(f) The certificate of the Landlord's Architect as to the length of time required, using reasonable diligence, to rebuild or restore the Building or the Premises, or as to when the Premises or any portion thereof are reasonably fit for occupancy by the Tenant shall be conclusive and binding upon the Landlord and the Tenant

LEASEHOLD IMPROVEMENTS & TRADE FIXTURES

12. (a) The Tenant will not make, erect, install or alter any Leasehold Improvements or trade fixtures in the Premises without having requested and obtained the Landlord's prior written approval. The Landlord shall not unreasonably withhold its approval to any such request, but failure to comply with any design criteria distributed by the Landlord to tenants shall be considered sufficient reason for refusal. In making, erecting, installing or altering any Leasehold Improvements or trade fixtures, the Tenant will not, without the prior written approval of the Landlord (which approval shall not be unreasonably withheld or delayed), alter or interfere with any installations which have been made by the Landlord and in no event shall alter or interfere with window coverings or other light control devices installed by the Landlord on exterior windows. The Tenant's request for any approval hereunder shall be in writing and accompanied by an adequate description of the contemplated work and working drawings and specifications thereof. Any reasonable expenses incurred by the Landlord in connection with any such request for approval shall be recoverable from the Tenant All work to be performed in the Premises shall be performed by competent contractors and subcontractors approved by the Landlord, such approval not to be unreasonably withheld or delayed, provided that the Landlord may require that the Landlord's contractors and subcontractors be engaged for any sprinkler system, mechanical or electrical work.

Upon receiving the Landlord's approval in writing, the Tenant shall forthwith commence and diligently complete the installation, alteration, erection or making of any such Leasehold Improvements or trade fixtures. All such work shall be subject to inspection by and the reasonable supervision of the Landlord or its agent, the cost of which shall be recoverable from the Tenant and shall be performed in accordance with any reasonable conditions or regulations imposed by the Landlord and completed in good and workmanlike manner in accordance with the description of the work approved by the Landlord.

(b) In connection with the making, erection, installation or alteration of Leasehold Improvements and trade fixtures and all other work or installation made by or for the Tenant in the Premises, the Tenant shall comply with all the provisions of the Construction Lien Act and other statutes from time to time applicable thereto (including any provision requiring or enabling the retention by way of holdback of portions of any sums payable) and except as to any such holdback shall promptly pay all accounts relating thereto. The Tenant will not create any mortgage, conditional sale agreement or other encumbrance in respect of its Leasehold Improvements or trade fixtures without the consent of the Landlord, nor shall the Tenant take any action as a consequence of which any such mortgage, conditional sale agreement or other encumbrances would attach to the Premises, or to the Building.

If and whenever any construction or other lien for work, labour, services or materials supplied to or for the Tenant or for the cost of which the Tenant may be in any way liable or claims therefor shall be registered or any such mortgage, conditional sale agreement or other encumbrance shall attach, the Tenant shall within five (5) days after receipt of notice thereof procure the discharge thereof, including the vacating of any certificate of action registered in respect of any lien, and failing which the Landlord may in addition to all other remedies hereunder make any payments required to procure the discharge of any such liens or encumbrances and any sum and all expenses related thereto so paid by the Landlord plus 15% thereof as an administrative charge shall be paid by the Tenant to the Landlord forthwith on demand therefor and shall be recoverable by the Landlord in the same manner as rent The Landlord's right to reimbursement shall not be affected or impaired if the Tenant shall then or subsequently establish or claim that any lien or encumbrance so discharged was without merit or excessive or subject to any abatement, set-off or defence.

(c) All Leasehold Improvements in or upon the Premises shall immediately upon their placement be and become the Landlord's property without compensation therefor to the Tenant Except to the extent otherwise expressly agreed by the Landlord in writing, no Leasehold Improvements, trade fixtures, furniture or equipment shall be removed by the Tenant from the Premises either during or at the expiration or sooner termination of the term except that

(i) the Tenant may at the end of the term remove its trade fixtures;

(ii) the Tenant shall at the end of the term remove such of the Premises as the Landlord shall require to be removed; and

(iii) the Tenant may remove its furniture and equipment at die end of the term, and also during the term in the usual and normal course of its business where such furniture or equipment has become excess for the Tenant's purpose or the Tenant is substituting therefor new furniture and equipment.

The Tenant shall, in the case of every removal either during or at the end of the term, make good at the expense of the Tenant any damage caused to the Premises or Building by the said installation and removal.

DUCTS

13. The Landlord shall have the right to run utility lines, pipes, roof drainage pipes, conduit wire or duct work where necessary, through above-ceiling space, column space, the interiors of walls and beneath the floors of the Premises and to maintain the same in a manner which does not unduly interfere with the Tenant's use thereof.

SIGNS AND DIRECTORIES

14. The Tenant shall not paint, display, inscribe, place or affix any television or radio antennae, sign, symbol, notice or lettering of any kind anywhere in or on the Building or within the Premises so as to be visible from the outside of the Premises, with the exception only of an identification sign at or near the entrance to the Premises and a directory listing in a directory to be supplied by the Landlord in the main lobby of the Building, both to be in the form, of the design and in the location required by the Landlord in its design criteria, its rules and regulations or otherwise. Unless the Landlord consents to the inclusion of any other or additional name, the Tenant shall be entitled to have included on such directory only the name of the Tenant. The Tenant shall be responsible for the cost including installation of both the said identification sign and the said directory listing.

ACCESS, INSPECTION RIGHT TO SHOW PREMISES

15. (a) The Landlord shall have the right at any time and from time to time to enter and to have its authorized agents, employees and contractors enter the Premises in the event of an emergency or for the purpose of inspection, window cleaning, maintenance, providing janitorial and cleaning services, making repairs, alterations and improvements to the Premises or the. Building and to have access to utilities and services (including under floor conduits and access panels, which the Tenant agrees not to obstruct) and the Tenant shall provide free and unhampered access for the aforementioned purposes and shall not be entitled to compensation for any inconvenience, nuisance or discomfort caused thereby. The Landlord in exercising this right shall proceed in such a manner so as to minimize interference with the Tenant's use and enjoyment of the Premises.

(b) The Landlord and its authorized agents and employees shall have the right of entry to the Premises during the last twelve (12) months of the term or any extension thereof for the purpose of exhibiting them to prospective tenants.

LANDLORD'S REMEDIES

Re-Entry

16. (a) The Landlord may re-enter upon non-payment of rent or non-performance of covenants subject to the provisions of this lease.

Remedies of Landlord

(b) If the Tenant shall fail to make any payment or part thereof for fifteen (15) days after the due date therefor or shall fail to perform or observe any other covenants, provisos or agreements contained herein, which such failure shall continue for fifteen (15) days after written notice thereof, then, and in each such case, the Landlord shall have the following remedies:

Termination

(i) the Landlord may by written notice terminate this lease, without prejudice to any other rights or remedies it may have and rent and any other payments for which the Tenant is liable shall be apportioned and paid in full to the date of such termination together with the reasonable expenses of the Landlord attributable to die termination of this lease and the Tenant shall immediately deliver up possession of the Premises to the Landlord;

Recovery of Expenses

(ii) the Landlord may enter the Premises and perform the obligation on behalf of the Tenant and shall not be liable for any loss or damage to the Tenant's goods, chattels or business caused in so doing. Any reasonable expenses incurred by the Landlord in so doing (including, without limitation, legal fees and compensation for the Landlord's services) together with interest thereon at a rate of five (5) percentage points above the lowest rate of interest at the date or dates of the incurring of such expenses quoted by the Landlord's chartered banks to their most credit-worthy borrowers for prime business loans, shall be paid by the Tenant to the Landlord forthwith on demand therefor and shall be recoverable in the same manner as rent; and

Right to Relet

(iii) the Landlord shall have the right to enter the Premises and to relet the same as agent for the Tenant for whatever term and on whatever conditions the Landlord shall, in its sole discretion, deem advisable, and the Tenant shall pay to the Landlord, in monthly installments for the balance of the term of this lease (which shall be deemed for the purposes of this item (iii) not to have been terminated by any action of the Landlord hereunder, including the making of alterations to the Premises deemed by the Landlord to be necessary or advisable for the purpose of reletting them) any deficiency between the sum of one twelfth of die rent and additional rent payable pursuant to clauses 3 and 4 hereof and the amount, if any, of monthly rent and additional rent actually received by the Landlord in respect of the Premises, after deducting therefrom all amounts reasonably attributable to the reletting of the Premises or any portion thereof.

Curing of Default

(c) In the event of a default by the Tenant such as can be cured only

cured only by the performance of work or the furnishing of material and if such work cannot reasonably be completed or such materials reasonably obtained and/or utilized within fifteen (IS) days, such default shall not be deemed to continue if the Tenant proceeds promptly with such work as may be necessary to cure the default and diligently complete the same.

Construction Liens

(d) The Tenant shall indemnify and hold the Landlord harmless from and against any liability, claim, damages or expenses (including legal expenses) due to or arising from any claim made against the Premises or the Building for all construction liens or other liens related to all work done by or on behalf of the Tenant and all work which the Tenant is obliged to do and any such liability, claims, damages or expenses incurred by the Landlord plus 15% thereof as an administrative charge shall be paid by the Tenant to the Landlord forthwith upon demand; and the Tenant shall cause all registration of claims for construction liens or certificates of action under the Construction Lien Act and relating to any such work done by or on behalf of the Tenant and all work which the Tenant is obliged to do, to be discharged or vacated, as the case may be, within fifteen {15) days of such registration or within five (5) days after notice from the Landlord.

Distress

(e) The Tenant waives and renounces the benefit of any present or future statute taking away or limiting the Landlord's right of distress and covenants and agrees that notwithstanding any such statute none of the goods and chattels of the Tenant on the Premises at any time during the term shall be exempt from levy by distress for rent or any other charges; all goods and chattels brought by the Tenant onto the Premises shall be the unencumbered property of the Tenant and they shall not be subjected to any claim or other encumbrance at any time without the written consent of the Landlord. If the Tenant shall leave the Premises leaving any rent or other amounts owing under this lease unpaid, the Landlord, in addition to any other available remedy, may seize and sell the goods and chattels of the Tenant at any place to which the Tenant or other person may have removed them in the same manner as if such goods and chattels had remained and been distrained upon the Premises.

Interest

(f) All sums, for rent or otherwise, payable to the Landlord under the terms of this lease shall bear interest at a rate five (5) percentage points above the lowest rate of interest quoted by the Landlord's chartered banks to their most credit-worthy borrowers for prime business loans, from their respective due dates until the actual dates of payment

Application of Receipts

(g) The Tenant covenants and agrees that the Landlord may, at its option, apply all sums received from the Tenant to any rent or other amounts payable hereunder in such order as the Landlord sees fit

Payments After Termination

(h) No payments of money by the Tenant to the Landlord after the Landlord after the expiration or other termination of the term hereof or after the giving of any notice (other than a demand for payment of money) by the Landlord to the Tenant, shall reinstate, continue or extend the term hereof or make ineffective any notice given to the Tenant prior to the payment of such money. After the service of notice of the commencement of a suit, or after final judgment granting the Landlord possession of the Premises, the Landlord may receive and collect any sums of rent, additional rent and other charges due under the lease, and the payment thereof shall not make ineffective any notice or in any manner affect any pending suit or any judgment theretofore obtained.

BANKRUPTCY, IMPROPER USE, ETC.

17. Subject to any other rights or remedies available to the Landlord, the Tenant covenants and agrees that if the term hereby granted or any of the goods and chattels of the Tenant on the Premises shall be at any time during the term hereof seized or taken in execution or attachment by any creditor of the Tenant or if the Tenant shall make any assignment for the benefit of creditors, or any bulk sale, or becoming bankrupt or insolvent shall take the benefit of any act now or hereafter in force for bankrupt or insolvent debtors, or if a receiving order is made against the Tenant or if any order shall be made for the winding up of the Tenant, or if the Premises shall without the written consent of the Landlord become and remain vacant for a period of four (4) days or be used by any other persons than such as are entitled to use them under the terms of this lease, or if the Tenant shall without the written consent of the Landlord abandon or attempt to abandon the Premises or to sell or dispose of goods or chattels of the Tenant or to remove them or any of them from the Premises so that there would not in the event of such abandonment, sale or disposal be sufficient goods on the Premises, subject to distress to satisfy the rent, additional rent and other charges due or accruing due, or if the Premises are used for a purpose other than that as herein provided, then in every such case, the then current month’s rent and the next ensuing three months’ rent together with all additional charges payable by the Tenant hereunder (to be pro-rated if necessary) shall immediately become due and be payable and the Landlord may re-enter and take possession of the Premises as though the Tenant or the servants of the Tenant or any other occupant of the Premises were holding over after the expiration of the term hereof, and the said term shall, at the option of the Landlord, forthwith become forfeited and determined, and in every one of the cases above, such accelerated rent and additional charges shall be recoverable by the Landlord in the same manner as the rent hereby reserved.

INVESTMENT CANADA ACT

18. (a) The Tenant hereby warrants and represents that it is not a non-Canadian person within the meaning of the Investment Canada Act, 198S, as amended or mat it is authorized pursuant to the said Act to carry on all business carried on or to be carried on by it in the Premises.

(b) If the Tenant is a non-Canadian person within the meaning of the said Act, or if the Tenant becomes a non-Canadian person within the meaning of the said Act or any successor of the said Act or of similar

legislation substituted for the said Act, it shall not carry on business or continue to carry on business in the Premises without first supplying the Landlord with all relevant documents and information to satisfy the Landlord that the Tenant is not carrying on business in violation of any such legislation and without first obtaining the consent of the Landlord to the carrying on of such business, such consent not to be withheld upon receipt of proof that such business is lawfully carried on.

(c) The Tenant shall indemnify the Landlord and hold the Landlord harmless from and against any and all fines, claims, costs, losses, damages, expenses, liabilities and demands arising out of the breach by the Tenant of the warranty or any obligation set forth in this clause.

RIGHT TO RELOCATE

19. (a) The Landlord shall have the right, at any time during the term of this lease, to relocate the Tenant to other premises of approximately the same area within the Building. Such right shall be exercised by the giving of not less than sixty (60) days notice in writing to the Tenant

(b) The Landlord shall be responsible for the expenses of such relocation, including the cost of partitioning the new premises, but such costs shall include the costs of the physical movement of the Tenant's chattels and the relocation of Leasehold Improvements only and the Landlord shall not be liable for any other costs including without limitation the cost of printing stationery nor shall the Landlord be liable for any loss occasioned by the interruption of the Tenant's business.

(c) If the Landlord relocates the Tenant as aforesaid, this lease shall continue in full force with the following amendments:

(i) the description of the Premises in Schedule "C^{M} and in page one of this lease shall be amended to contain a description of the premises to which the Tenant has been relocated;

(ii) the area of the Premises as described on page one of this lease shall be amended to indicate the area of the premises as a result of amendment (i) above mentioned; and

(Hi) the annual rent set forth in subclause 3(a) hereof shall be amended by increasing it or decreasing it by a percentage equal to the percentage increase or decrease in the area of the Premises as a result of amendment (ii) above mentioned.

(d) If the Tenant refuses to allow the Landlord to relocate the Tenant as aforesaid or if the Tenant attempts to obstruct such relocation in any manner, the Landlord may, at its option, terminate this lease with notice to the Tenant, without prejudice to any other rights or remedies it may have, and rent and any other payments for which the Tenant is liable shall be apportioned and paid to the date of such termination together with the reasonable expenses of the Landlord attributable to the termination of the lease and the Tenant shall immediately deliver possession of the Premises to the Landlord.

1XPROPRIATION AND TERMINATION

20. (a) If during the term all or part of either the Premises or the Building is expropriated, then at the option of the Landlord, the term of the lease shall cease and terminate upon possession being required and all rent, additional rent and other charges shall be paid up to that date so that the Tenant shall have no claim against the Landlord for the value of any unexpired term of the lease, or for damages or for any reason whatsoever. The Tenant shall not be entitled to any part of the award or compensation paid for such expropriation and the Landlord is to receive the full amount of any such award or compensation, the Tenant hereby expressly waiving any right or claim to any part thereof. However, the Tenant shall have the right to claim and recover from the expropriating authority, but not from the Landlord, such compensation as may be separately awarded to or recoverable by the Tenant in the Tenant's own right.

(b) Notwithstanding any other provisions in this lease, the Landlord shall have the right to terminate this lease by notice in writing to the Tenant if the Landlord determines to demolish the Building or a substantial part thereof or if the Landlord enters into a bona fide arm's length sale of the Building. Such termination shall be effective on the date named in such notice, which shall be the last day of a month not less than three (3) months following the giving of such notice.

NOTICES

21. All notices or other documents required or which may be given under this lease shall be in writing, duly signed by the party giving such notice and transmitted by prepaid registered or certified mail, telegram or telex or delivered, addressed as follows:

Landlord:

Location[1] Limited
c/o Oxford Development Group Inc.
Suite 220,181 University Avenue
Toronto, Ontario
M5H3M7.

Telecopier: (416) 864-9140

Attention: General Manager

Tenant;

3407276 Canada Inc., Operating as
Bridgepoint Enterprises
Suite 300
55 York Street
Toronto; Ontario
M5T 1R7

Attention: Mr. Stephane Brais, President

Any notice or document so given shall be deemed to have been given at the time of personal delivery or to have been received on the second business day following the date of mailing, if sent by prepaid registered or certified mail or telegrammed, but shall be deemed to have been received on the next business day if transmitted by telex. Any party may from time to time by notice given as provided above change its address for the purposes of this clause.

LEGAL COSTS

22. If the Landlord shall commence an action for collection of rent or other sums payable under this lease or if the same shall be collected upon the demand of a solicitor or if the Landlord shall commence an action to compel performance of any of the terms, conditions, covenants or provisos under this lease or for damages for failure of the Tenant to perform the same or if the same shall be performed upon the demand of a solicitor then, unless the Landlord shall lose such action, the Landlord shall collect from the Tenant and the Tenant shall pay on demand to the Landlord all reasonable solicitor's fees in respect thereof on a solicitor and his client basis.

PRIOR INTERESTS

23. (a) This lease is subject and subordinate to all mortgages or deeds of trust and all renewals, modifications, consolidations, replacements and extensions thereof which may now or at any time hereafter affect the Premises in whole or in part or the Building in whole or in part and whether or not such mortgages or deeds of trust shall affect only the Premises or the Building of which the Premises shall form a part or shall be blanket mortgages or deeds of trust affecting other premises as well. The Tenant shall at any time on notice from the Landlord attorn to and become a tenant of a mortgagee or trustee under any such mortgage or deed of trust upon the same terms and conditions set forth in mis lease and shall execute promptly on request by the Landlord any certificates, instruments of postponement or attornment or other instruments from time to time requested to give full effect to this requirement or to set out the status of this lease and the state of accounts between the Landlord and the Tenant and the Tenant hereby constitutes the Landlord as the agent or attorney of the Tenant for the purpose of executing any such certificates, instruments of postponement or attornment or other instruments necessary to give full effect to this clause.

(b) In the event that a mortgagee demands possession of the Premises pursuant to the provisions of its mortgage and if the Tenant has not been in default under this lease, the Landlord shall use its best efforts to obtain the consent of such mortgagee to permit the Tenant to continue in occupation of the Premises in accordance with and subject to all the rents, covenants, conditions and agreements contained herein. After the date of this lease and prior to entering into any new mortgage of the Building, the Landlord shall use its best efforts to obtain from any new mortgagee a written agreement that the Tenant may remain in possession of the Premises in the event of default by the Landlord under such mortgage, so long as the Tenant pays its rent to the mortgagee and continues to perform the covenants contained in this lease.

NO WAIVER OF DEFAULT

24. (a) No condoning, excusing, overlooking or delay in acting upon by the Landlord of any default, breach or non-observance by the Tenant at any time or times in respect of any covenant, proviso or condition in this lease shall operate as a waiver of the Landlord's rights under this lease in respect of any such or continuing subsequent default, breach or non-observance and no waiver shall be inferred from or implied by anything done or omitted by the Landlord except an express waiver in writing.

(b) All rights and remedies of the Landlord set forth in this lease shall be cumulative and not alternative.

(c) If the Landlord shall assign this lease to a mortgagee or mortgagees of the Premises or of the Building or to any other person or persons whatsoever the Landlord shall nonetheless be entitled to exercise all rights and remedies reserved under this lease without providing evidence of the approval or consent of such mortgagees or any other persons whatsoever.

DELAYS

25. It is understood and agreed that whenever and to the extent that the Landlord shall be unable to fulfill, or shall be delayed or restricted in the fulfillment of any obligation hereunder in respect of the supply or provision of any service or utility or the doing of any work or the making of any repairs by reason of being unable to obtain the material, goods, equipment, service, utility or labour required to enable it to fulfill such obligation or by reason of any statute, law, order-in-council or by-law or any regulation or order passed or made pursuant thereto or by reason of the order or direction of any administrator, controller or board, or any governmental department or officer or other authority, or by reason of not being able to obtain any permission or authority required thereby, whether federal, provincial or municipal or by reason of any other cause beyond its control whether of the foreoing character or not, the Landlord shall be entitled to extend the time for fulfillment of such obligation by a time equal to the duration of such delay or restriction and the Tenant shall not be entitled to compensation for any loss, inconvenience, nuisance or discomfort thereby occasioned.

JOINT AND SEVERAL LIABDJTY

26. If the Tenant consists of more than one legal entity, then the Tenant covenants with the Landlord that each of them is jointly and severally bound for the fulfillment of all obligations of the Tenant under this lease.

GUARANTEE

27. (a) In consideration of the sum of One Dollar ($ 1.00) now paid by the Landlord to the Guarantor and other valuable consideration the receipt and sufficiency whereof is hereby acknowledged, the Guarantor hereby covenants with the Landlord that the Tenant shall duly perform and observe each and every covenant, proviso, condition and agreement in this lease on the part of the Tenant to be performed and observed, including the payment of rent and all other payments agreed to be paid or payable under this lease on the days and at the times and in the manner herein specified, and that if any default be made by the Tenant, whether in payment of rent

or other sums from time to time falling due hereunder as and when they become due and payable or in the performance or observance of any of the covenants, provisos, conditions or agreements which under the terms of this lease are to be performed or observed by the Tenant, the Guarantor shall forthwith pay to the Landlord on demand such rent and other sums in respect of which such default shall have occurred and all damages that may arise in consequence of the non-observance or non-performance of any of the said covenants, provisos, conditions or agreements.

(b) The Guarantor covenants with the Landlord that the Guarantor is jointly and severally bound with the Tenant for the fulfillment of all obligations of the Tenant under this lease. In the enforcement of its rights hereunder, the Landlord may proceed against the Guarantor as if the Guarantor were named Tenant hereunder.

(c) The Guarantor hereby waives any right to require the Landlord to proceed against the Tenant or to proceed against or to exhaust any security held from the Tenant or to pursue any other remedy whatsoever which may be available to the Landlord before proceeding against the Guarantor.

(d) No neglect or forbearance of the Landlord in endeavoring to obtain payment of the rent reserved herein or other payments required to be made under the provisions of this lease as and when they become due, no delay of the Landlord in taking any steps to enforce performance or observance of the several covenants, provisos or conditions contained in this lease to be performed or observed by die Tenant, no extension or extensions of time which may be given by the Landlord from time to time to the Tenant and no other act or failure to act of or by the Landlord shall release, discharge or in any way reduce the obligations of the Guarantor under the guarantee contained in this clause 27.

(e) Any account settled or statement or any other settlement made between the Landlord and the Tenant and any determination made pursuant to any provisions of this lease which is expressed to be binding upon the Tenant shall be binding upon the Guarantor.

(f) In the event of the termination of this lease, except by surrender accepted by the Landlord or in the event of disclaimer of this lease pursuant to any statute, men at the option of the Landlord the Guarantor shall, forthwith upon demand of the Landlord and at the expense of the Guarantor, execute a new lease of the Premises between the Landlord as Landlord and the Guarantor as Tenant for a term equal in duration to the residue of the term remaining unexpired at the date of such termination or such disclaimer. Such lease shall contain the like landlord’s and tenants obligations respectively and the like covenants, provisos, agreements and conditions in all respects (including the proviso for re-entry) as are contained in this lease.

(g) The Guarantor hereby submits to the jurisdiction of the Courts of the Province of Ontario in any action or proceeding whatsoever by the Landlord to enforce its rights hereunder.

ENTIRE AGREEMENT	28. The Tenant acknowledges that there are no covenants, representations, warranties, agreements or conditions, express or implied, collateral or otherwise, forming part of or in any way affecting or relating to this lease save as expressly set out or imported by reference in this lease and that this lease constitutes the entire agreement duly executed by the Landlord and the Tenant
REGISTRATION	29. The Tenant shall not register this lease or any notice thereof except in a form which shall be acceptable to the solicitors for the Landlord and which shall be executed by both the Landlord and the Tenant prior to the registration.
NO PARTNERSHIP	30. The Landlord does not, in any way or for any purpose, become a partner of the Tenant in the conduct of its business, or otherwise, or joint venturer or a member of a joint enterprise with the Tenant
NAME OF BUILDING	31. The Landlord shall have the right, after thirty (30) days written notice to the Tenant, to change the name, number or designation of the Building during the term without liability to the Tenant
TIME OF ESSENCE	32. Time shall be of the essence of this lease.
SEVERABILITY	33. If any clause or clauses or part or parts of clauses in this lease be illegal or unenforceable it or they shall be considered separate and severable from the lease and the remaining provisions of the lease shall remain in full force and effect and shall be binding upon the parties hereto as though the said clause or clauses or part or parts of clauses had never been included.
INTERPRETATION	34. (a) Whenever a word importing the singular number only is used in the lease such word shall include the plural and words importing either gender or firms or corporations shall include the persons of other gender and firms or corporations where applicable. Any reference to the term of this lease shall unless the context otherwise requires, be deemed to include any renewals hereof. (b) The word “clause” shall refer to each portion of this lease introduced or headed by an Arabic figure; the word “subclause” shall refer to each portion of this lease introduced or headed by a small English letter and the word “item” shall refer to each portion of this lease introduced by a small Roman numeral or a capital English letter. The headings of clauses, subclauses and items appearing in this lease have been inserted as a matter of convenience and for reference only and in no way define, limit or enlarge the scope or meaning of this lease or of any provision thereof.
SUCCESSORS	35. This lease together with Schedules A, B C, and D annexed hereto, shall extend to, be binding upon and enure to the benefit of the parties hereto and their respective heirs, legal personal representatives, successors and assigns (as limited by the provisions of this lease) and shall be interpreted in accordance with the laws of the Province of Ontario and the parties hereto attorn to the jurisdiction of the Province of Ontario.

A WITNESS WHEREOF the corporate parties hereto have hereunto affixed their corporate seals, attested by the hands of their respective duly authorized officer(s) in that behalf and the other parties hereto have hereunto set their respective hands and seals.

LANDLORD: LOCATION 3 LIMITED

Per: Secretary

Per: Assistant Secretary

TENANT: 3407276 CANADA, INC. Operating as Bridgepoint Enterprises

Per: President

Per: CEO

I/We have the authority to bind the Corporation

GUARANTOR:

Per:

Per:

SCHEDULE “A”

Description of Lands
55 York Street

All that certain parcel of land situate, lying and being in the City of Toronto, in the Municipality of Metropolitan Toronto and Province of Ontario and being composed of parts of lots numbers three (3) and four (4) and five (5) on the east side of York Street as shown on a plan now filed in the Registry Office for the Registry Division of Toronto as No. 52, and part of the street fifty feet (50’) in width, lying on the south of the said lot five (5) as shown on the said plan, which may be more particularly described as follows:

COMMENCING at a point in the easterly limit of York Street where it is intersected by the northerly limit of Piper Street as established by By-law No. 3925 of the City of Toronto;

THENCE NORTHERLY along the easterly limit of York Street eighty-one feet three inches (81’3M) more or less, to the production westerly of the southerly face of the southerly wall of the brick building standing in December, 1929, upon the westerly part of the said Lot three (3) said point being distant one foot three and one-half inches (l’3-1/2n) more or less, measured northerly from the southerly limit of the said lot three (3);

THENCE EASTERLY along the said southerly face of wall to and along the southerly face of the southerly wall of the easterly part of the said building and continuing thence easterly along the southerly face of the brick buildings immediately adjoining the said brick building on the east one hundred and twenty-six feet one inch (126’1”) more or less, to the northerly production of the westerly face of the westerly wall of the old three storey brick building standing in February, 1928, upon the rear part of the said lots four (4) and five (5);

THENCE SOUTHERLY along the said production and the westerly face of the last mentioned wall and its production southerly eighty-three feet six inches (83’6”) more or less, to the said northerly limit of Piper Street;

THENCE WESTERLY along the said northerly limit of Piper Street one hundred and twenty-six feet four and three-quarter inches (126’4-3/4”) more or less to the point of commencement.

The east side of York Street is confirmed by Plan BA-681 under the Boundaries Act registered on September 17,1975 in the Land Registry Office for the Registry Division of Toronto as Instrument Number CT140854.

Being most recently described in a deed of the lands (but excluding the building) by Montreal Trust Company, Trustee to National Trust Company, Trustee registered as Instrument No. CT765296.

SCHEDULE “B”

RULES AND REGULATIONS

1. The Landlord may prohibit any persons from entering the Building except during Normal Business Hours unless such person has a key to the premises to which such person seeks entry or a pass in a form to be approved by the Landlord. Any person who is permitted to enter the Building at any time other than during Normal Business Hours shall register in the manner prescribed by the Landlord. The Landlord shall be under no responsibility for failure to enforce this rule.
2. Any areas of the Building not set aside for leasing from time to time by the Landlord shall be used only for their intended purposes. The Tenant shall not use any entrance or exits, passageway, corridor, lobby, sidewalk, ramp, stairway, escalator or elevator except for ingress to and egress from the Premises. The Tenant shall not obstruct such areas in any way and shall not deposit any footwear, waste, garbage or refuse therein. The Landlord may remove at the expense of the Tenant any such obstruction without notice or obligation to the Tenant The Landlord reserves the right to restrict or prohibit canvassing, soliciting or peddling in the Building.
3. All plumbing fixtures shall be used only for their intended purposes and no sweeping, rubbish, rags, ashes or other substances shall be thrown therein. The Tenant shall not permit any toilet or drain to be obstructed. Taps shall be turned off when not in use.
4. The Premises shall not be used for any residential purpose including sleeping accommodation and cooking, the storage of any personal effects or articles not required for the use of the Premises in accordance with the lease or the storage of any inflammable, explosive or dangerous materials.
5. No birds or animals shall be kept on the Premises or brought into the Building. No musical instruments or sound producing equipment or amplifier which may be heard outside the Premises shall be played or operated on the Premises.
6. No drapes or window coverings shall be installed on any exterior windows of the Premises without the prior written consent of the Landlord. Any drapes or window coverings so approved shall not interfere with the climate control central system of the Building and shall present a uniform exterior appearance for the Building.
7. The Tenant shall not obstruct or interfere with access to janitorial and electrical closets or heating ventilating or air conditioning ducts or equipment in the Premises. In the event of any such obstruction or interference the Tenant shall be responsible for the cost of providing access to same.
8. The Tenant shall leave the Premises in a reasonably tidy condition at the end of each business day.
9. The Tenant shall not mark, drill into, bore or cut or in any way damage or deface the walls, ceilings or floors of the Premises. No wires, pipes or conduits shall be installed in the Premises without the prior written approval of the Landlord. No broadloom or carpeting shall be affixed to the Premises by means of a non-soluble adhesive or similar product. The Tenant shall at its own expense install and maintain pads to protect any carpet in the Premises under all furniture so that the furniture does not crush the carpe**t.**

10. No safe, heavy equipment, bulky materials or office furniture or equipment shall be brought into or removed from the Building except during such hours and by such means as the Landlord may approve. The Landlord may prohibit the installation in the Premises of any safe or equipment which exceeds the load-bearing capacity of the floor of the Premises.

11. No machine dispensing food, beverage or merchandise for sale shall be installed in the Premises without the prior written approval of the Landlord which may be arbitrarily withheld. No food, beverage or merchandise shall be delivered to the Premises except during such hours and by persons authorized by the Landlord.

12. The Tenant shall not hinder or prevent window cleaners from cleaning the windows of the Premises during Normal Business Hours.

13. The directory board for the Building, the style thereof and the lettering thereon and the manner and order in which the names are displayed thereon shall be within the sole discretion of the Landlord.

14. The Tenant shall not use the name of the Building for any purpose except as the business address of the Premises.

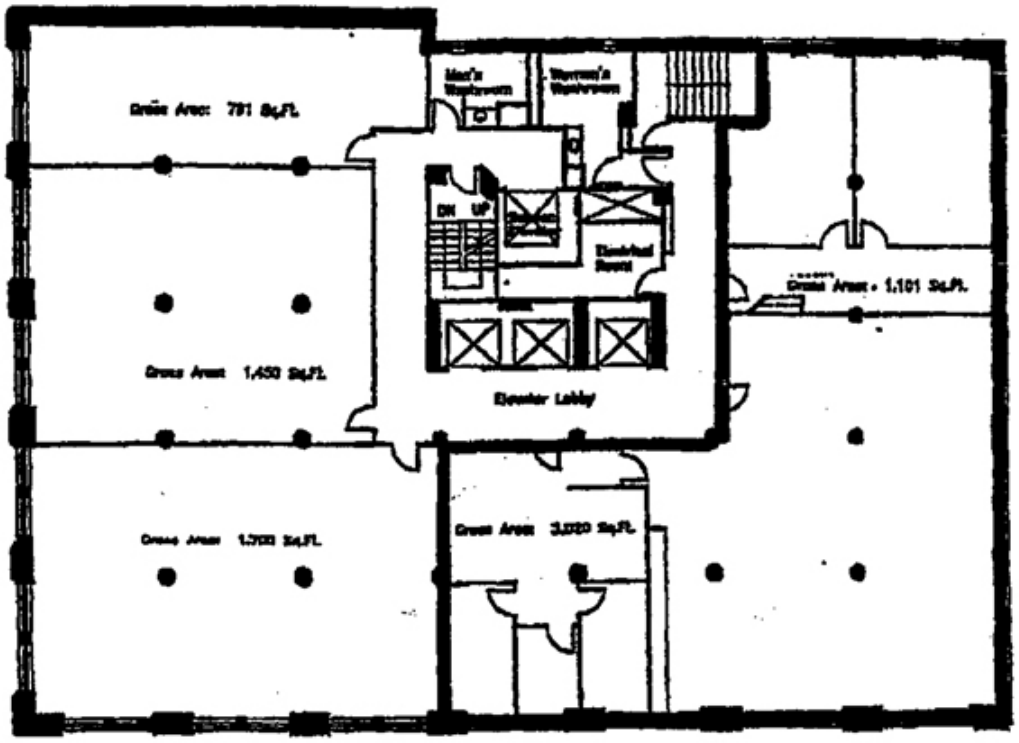
15. The use of car parking spaces (if any) shall be in accordance with reasonable rules and regulations of the Landlord.

16. No cleaning, maintaining, replacement or servicing of the whole or any part of the Premises including electric lighting fixtures shall be done or performed by any person or persons other than persons employed by the Landlord. Only Building standard fluorescent tubes shall be used in the Premises.

17. No additional locks shall be placed upon, nor shall changes be made to the existing locks in any doors of the Premises without the prior written consent of the Landlord, provided that all locks shall conform to the master keying system for the Building established by the Landlord. Additional keys to the door locks shall be obtained from the Landlord at the cost of the Tenant

18. The Tenant shall be entitled to use, in common with the other tenants of the Building, the mail chute and mail box (if any) in the Building provided that such use shall be entirely at the Tenant’s own risk and that the Landlord shall not be liable or responsible for any loss or damage resulting from or in consequence of the Tenant’s use of such mail chute or mail box.

19. All loading and unloading of goods shall be done only at such times, in the areas and through the entrances designated for such purposes from time to time by the Landlord. Any movers or moving company moving furniture or equipment in or out of the Premises shall be approved of by the Landlord and shall make prior arrangements with the Landlord as to the times of such moving of furniture or equipment The Tenant shall ensure and guarantee the prompt payment to the Landlord for the cost of repairing any damage in the Building caused by such movement of furniture or equipment



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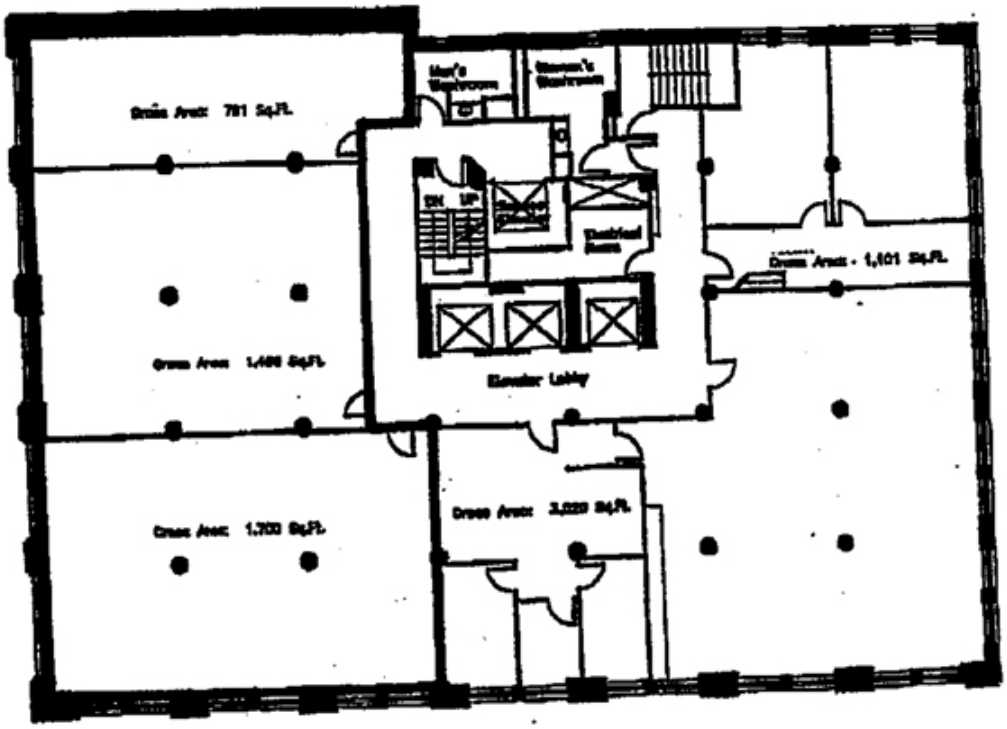

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SCHEDULE "D"
SUPPLEMENTAL TERMS AND
CONDITIONS

TO OFFICE LEASE DATED: as of the **20th** day of **July, 1999**

BETWEEN: LOCATION[3] LIMITED

("Landlord")

-and-

3407276 CANADA INC, Operating as
Bridgepoint Enterprises

("Tenant")

The following is added to the Lease as Section 1.00:

Section 1.00 -Rent

1.00 Rent - The Tenant shall pay to Landlord as annual rent for the Premises:

a) the sum of $37,089.00 per annum, payable in advance and without notice in monthly installments of $3,090.75 on November 1,1999 and on the first day of each calendar month thereafter to the last day of October, 2001.

b) the sum of $45,331.00 per annum, payable in advance and without notice in monthly installments of $3,777.58 on November 1,2001 and on the first day of each calendar month thereafter to the last day of October, 2003.

c) the sum of $61,815.00 per annum, payable in advance and without notice in monthly installments of $5,15125 on November 1,2003 and on the first day of each calendar month thereafter to the last day of October, 2004.

d) the sum of $70,057.00 per annum, payable in advance and without notice in monthly installments of $5,838.08 on November 1,2004 and on the first day of each calendar month thereafter to the last day of October, 2009.

The following is added to the Lease as Section 2:00:

Section 2.00 - Condition of Premises

2.00 Condition of Premises - The Premises shall be provided in an "as is" condition subject to Landlord's Work. the following is added to the Lease as Section 3.00:

Section 3.00 - Leasehold Improvement Allowance

3.00 Leasehold Improvement Allowance - The Landlord agrees to provide a Leasehold Improvement Allowance to the Tenant of $18.00 per gross rentable square foot (plus GST) of the Premises, which shall be useable by the Tenant to pay for the cost of working drawings, materials, labour, the cost of securing required permits and leasehold improvements, which shall be installed according to a space plan to be agreed between the Landlord and the Tenant. All plans and specifications, details and finishes pertaining to such construction and completion of leasehold improvements shall be agreed to by the Landlord, in accordance with the terms of the Lease, prior to commencing construction. This work shall exclude the Tenant's telecommunication cabling, wiring costs and any other improvements which may be 'capital improvements' for the Tenant's business. The amount, if any, by which the actual cost of such construction and completion exceeds the Landlord's contribution as provided herein shall be solely the responsibility of and shall be paid by the Tenant

The Landlord shall pay the Leasehold Improvement Allowance only when all of the following have occurred or been completed:

a) full lease execution by both the Tenant and Landlord;

b) substantial completion of the Tenant's leasehold improvement work;

c) occupancy by and commencement of business from the Premises by the Tenant;

d) upon receipt of a sworn statutory declaration by the Tenant declaring that all Tenant work has been completed and paid for and that there are no outstanding claims for liens;

e) the Commencement Date of the Lease.

The Landlord may deduct from such amounts any arrears of Annual Basic and Additional Rent and any amounts payable by the Tenant under this proposal. The Tenant shall pay to the Landlord on the Commencement date a co-ordination fee of fifty cents ($0.50) per square foot of gross leasable area of the Premises for coordination of Tenant's Work.

The following is added to the Lease as Section 4.00:

Section 4.00 - Tenant's Work

4.00 Tenant's Work- The Tenant shall pay the cost of the design, co-ordination and construction of all leasehold improvements (and any special requirements beyond those now existing in the Premises) all in accordance with the provisions of the Lease ("Tenants Work").

The following is added to the Lease as Section 5.00:

Section 5.00 - Landlord's Work

5.00 Landlord's Work - The Landlord shall complete work in the Premises in accordance with specifications and detailed space plan approved by Landlord. Such work shall be constructed using the standard finishes for the Building and shall include the following:

a) provide like new T-bar and acoustic ceiling tiles with base building standard distribution of light fixtures;

b) provide clean like new Building standard blinds throughout the Premises;

c) provide base building mechanical and electrical drawings and the most up-to-date as-built mechanical and electrical drawings for the jd and 4^{m} floors;

d) remove all existing flooring to a broom swept finish;

e) ensure the Premises is clean and free of all refuse and chattels;

f) Landlord shall provide a certificate from a qualified structural engineer confirming the total permitted floor loading on a pounds per square foot basis within the Premises together with any variations in the permitted load at specific locations within the Premises;

g) clean and remove any wire or cabling within the Premises that is not specific to the Tenant's use; and

h) the Building's main power feed has the capacity and the Landlord shall allow Tenant to connect to 500 amps/480 volts of power from the power coming to the Building.

The Landlord and Tenant shall meet to establish a schedule for completion of Landlord's Work and Tenant shall use its best efforts to assist Landlord in completing Landlord's Work in accordance with said schedule. Landlord shall not be responsible for any delays caused by Tenant's failure to agree to or act in accordance with the said schedule.

The following is added to the Lease as Section 6.00:

Section 6.00 - Early Occupancy

6.00 Early Occupancy - Provided this Lease has been executed and Landlord's Work is complete, the Tenant shall be permitted early occupancy to the Premises prior to the Commencement Date to carry out Tenant's Work. The Tenant will not be responsible for Rent or Allocable Operating Expenses and Allocable Taxes during this period but all other terms of the Lease shall apply.

The following is added to the Lease as Section 7.00:

Section 7.00 - Option to Renew

7.00 Option to Renew - Tenant shall have the Option to Renew the Lease for a maximum of three (3} additional terms of five (5) years upon giving Landlord not less than twelve (12^ months written notice prior to the expiration of the then current Term of Tenant.' intention to extend provided that:

a) Tenant is not then in default thereunder of its obligations under this Lease, nor has it been in chronic default of any of its Lease obligations during the Term (which default in each case will be evidenced by written correspondence by the Landlord);

b) 3407276 Canada Inc., operating as Bridgepoint Enterprises, is in possession of all of the Premises, has not sublet all or part of the Premises except to those companies to whom the Tenant is then providing telecommunications services, or assigned the Lease; and

c) there has not been a change in effective control of Tenant unless such change in effective control is an amalgamation or merger of the Tenant as part of a corporate reorganization or takeover which does not affect the creditworthiness of the Tenant

The renewals will be on Landlord's then current standard lease form. The net rental rate during the renewal shall be the Fair Market Rent and there shall be no further renewal rights.

The following is added to the Lease as Section 8.00:

Section 8.00 - Fair Market Rent

8.00 Fair Market Rent - *Definition:* For the purposes of this Lease, "Fair Market Rent" means the rate of rent per square foot per annum for premises in the Building that a willing tenant renewing a lease would pay and a willing landlord would accept in a bonafide arm's length negotiation, for a similar term and a similar use but in no event shall the limitations on relocating the Tenant's equipment factor into the calculation of Fair Market Rent. In no event shall Fair Market Rent be less than the Rent per square foot payable during the last year of the men current Term. If Landlord and Tenant are unable to agree upon the Fair Market Rent for any renewal term, the matter will be handled in accordance with the terms and procedures set out below.

Notice of Fair Market Rent At least 30 days prior to the date on which the term of the Renewal Lease is to begin, Landlord shall give Tenant notice (the "Fair Market Rent Notice") of its determination of Fair Market Rent and the amount of minimum (basic) rent payable during the term of the Renewal Lease.

Final Determination of Fair Market Rent: Whether to not Tenant agrees with Landlord's determination of Fair Market Rent, Tenant shall nevertheless pay to Landlord the amount set out in the Fair Market Rent Notice from and after the date on which the term referred to in the Fair Market Rent Notice begins and until the Fair Market Rent ha been finally determined. If Tenant does not so agree, Tenant shall give written notice (the "Dispute Notice") to Landlord to that effective within ten (10) days of its receipt of the Fair Market Rent Notice. In the absence of Dispute Notice, Tenant shall be deemed to have accepted Landlord' determination of Fair Market Rent

a) If Tenant has given Dispute Notice and Landlord and Tenant have not agree in writing as to Fair Market Rent within ten (10) days after the Dispute Notice is given, Fair Market Rent shall be determined as follows:

i) Within fifteen (15) days of the date on which Tenant has given i'

Dispute Notice, Landlord and Tenant shall each appoint an independent and qualified person to determine the Fair Market Rent and by notice advise the other of the identity of its appointee;

ii) If either Landlord or Tenant, having given notice of its appointee, considers the appointee of the other to be either not independent or not qualified, it may be notice to the other given within seven (7) days of the date on which the notice of the appointment is given protest such appointment with reasons;

iii) If within ten (10) days of the date on which the notice of protest is given the parties cannot agree as to an alternate appointee, the party whose appointee is the subject to the protest shall within the next ten (10) day period either give notice to the other of a new appointee or bring an action for a judicial determination as to whether its original appointee was either independent or qualified or both, according to the particulars of the protest;

iv) If such party elects to make a new appointment, the right of the other party to protest as aforesaid shall apply with respect to the new appointee; if it is judicially determined mat an appointee was either no-independent or unqualified, the party whose appointee was ineligible shall within ten (10) days of such determination give notice to the other of a new appointee whereupon the preceding provisions of this section shall again apply;

v) If within the fifteen (IS) day period set out in the subparagraph (i) of this subsection either Landlord or Tenant fails to make an appointment and so to identify its appointee, the Fair Market Rent shall be determined by the appointee of the party which has made an appointment and so given notice thereof;

vi) Within thirty (30) days of the date on which the identity of either the single appointee or the two appointees has been ascertained, either the appointee or appointees, as the case may be, shall determine the Fat Market Rent and each party, or the party making the only appointment as the case may be, shall give notice of the determination made by it appointee to the other,

vii) If the appointee of either party fails to do so, or if either party fails to give notice to the other party of the determination of Fair Market Research made by the appointee of the other parry shall govern;

viii) If the determinations of Fair Market Rent by the two appointees differ by less than ten percent (10%), then Fair Market Rent shall be the average of the two determinations;

ix) If the determinations of Fair Market Rent by the two appointees difference by ten percent (10%) or more, then the two appointees will select third independent and qualified person who will choose one or other c the determinations made as aforesaid and the rate so chosen will t Fair Market Rent;

x) If the two appointees cannot agree on the selection of the third person; then the provisions of the Arbitrations Act shall apply for the appointment of a single arbitrator. The sole function of the person: appointed shall be to choose one or the other of the determination made as aforesaid.

c) If Fair Market Rent as determined pursuant to subsection (b) is greater than Tenant has paid in accordance with the Fair Market Rent Notice, Tenant shall immediately pay to Landlord the difference and shall thereafter ma

the payments of minimum (basic) rent equal to the greater of Fair Market Rent as so determined and the highest amount of Annual Rent payable during the Term. If the amount of Fair Market Rent is less than that stipulated in the Fair Market Rent Notice, Landlord shall immediately refund to Tenant any overpayment made by Tenant.

d) If Fair Market Rent as determined pursuant to subsection (b) is less than eighty-five percent (85%) of the amount stipulated in the Fair Market Rent Notice, Landlord shall pay the fees of all the appraisers and, if applicable, the arbitrator and if Fair Market Rent as so determined by eighty-five percent (85%) or more of the amount so stipulated, Tenant shall pay all such fees.

The following is added to the Lease as Section 9.00:

Section 9.00 - Deposit

9.00 Deposit - Tenant will provide a deposit in the amount of 34753.76 payable to Oxford Development Group Inc., In Trust which will be credited against gross rent payable under the Lease as it falls due.

The following is added to the Lease as Section 10.00:

Section 10.00-EMF

10.0 EMF Emissions and Other Interference - The Tenant shall not install any equipment on or about the Premises mat will produce EMF Emissions or other emissions, that interfere with other Tenants' or the Building's day-to-day operations. Tenant covenants and agrees that its operation of its equipment shall not cause any interference with or degradation of any other signals lawfully transmitted or received or systems operating on or about the Premises or the Building. If such interference or degradation is reasonably demonstrated to Tenant, Tenant shall, upon receiving notice from Landlord, immediately correct the problem.

The following is added to the Lease as Section 11.00:

Section 11.00 - Restoration

11.00 Restoration - Upon expiration of the Lease, the Tenant shall restore the Premises and all ancillary equipment, conduits and cabling relating to the Premises to base building condition as per the terms of the Lease. The Tenant shall have the right to remove any of its trade fixtures or trade equipment, furniture, work stations or enviro walls, and in the event that the Tenant does not remove any of its fixtures or trade equipment from the Premises; the Tenant shall be responsible to repair any damage which may have been caused to the Premises or the Building by the installation or removal thereof, subject to normal wear and tear.

The following is added to the Lease as Section 12.00:

Section 12.00 - First Opportunity to Lease

12.00 First Opportunity to Lease - Subject to existing tenants prior rights and provided:

a) The Tenant is not then in default thereunder of its obligations under this Lease, nor has it been in chronic default of any of its Lease obligations during the Term (which default in each case will be evidenced by written correspondence by the Landlord);

b) 3407276 Canada Inc., operating as Bridgepoint Enterprises, is in possession of all of the Premises, has not sublet all or part of the Premises except to those companies to whom the Tenant is then providing telecommunications services, or assigned the Lease; and

c) there has not been a change in effective control of Tenant unless such change in effective control is an amalgamation or merger of the Tenant as part of E corporate reorganization or takeover which does not affect the creditworthiness of the Tenant;

then the Tenant shall be granted an ongoing First Opportunity to Lease the remaining area on the third (3^) floor as shown on Schedule MC1" (the "Expansion Premises). If the Landlord obtains serious interest from a potential tenant a determined by the Landlord for all or part of the Expansion Premises, the Landlord will notify the Tenant The Tenant will then have five (5) business days to submit an Offer to Lease for the Expansion Premises. If the Tenant fails to submit a; Offer to Lease which is acceptable to the Landlord, the Landlord shall be free t accept an Offer to Lease from the said potential tenant on whatever terms the Landlord may determine.

The following is added to the Lease as Section 13.00:

Section **13.00 - Assignment and Subletting**

13:00 Assignment and Subletting - In addition to Article 10 of this Lease;

a) The Tenant shall have the right to assign or sublet all or part of the Premises as per the Lease.

b) There shall be no requirement in the Lease to obtain the Landlord's consent to a change in control of the Tenant or any corporation with which the Tenant is amalgamated or merged as part of a corporate reorganization or take-over of the Tenant provided there is no change in the creditworthiness of the Tenant as determined by the Landlord acting in its sole discretion. The Tenant shall furnish the Landlord with copies of Articles of Incorporation and any reconfirmation of the relationship with the Affiliate as Landlord may reasonably require.

c) Tenant shall be entitled to make or effect any mortgaging, charging or otherwise encumbering of the Premises, any part thereof, and this Lease, for the purpose of securing any loan or the repayment thereof by the Tenant

d) The Tenant shall be permitted to sublease all or part of the Premises at Net Rental rates above the Tenant's rates to companies to whom the Tenant is providing telecommunications services.

The following is added to the Lease as Section 14.00:

Section 14.00 - Storage Space

14.00 Storage Space - The Tenant shall commit to lease, up to approximately 300 square feet of storage space located in the basement level of the Building, for the entire Term of this Lease and any renewal thereof. The gross rental for such space shall be fifteen dollars ($15.00) per square foot gross for the term and any renewals thereof.

The following is added to the Lease as Section 15.00:

Section 15.00 - No Distraint on Certain Personal Property

15.00 No Distraint on Certain Personal Property - Notwithstanding any provision of the Lease, the Landlord agrees that the Landlord's right of distraint or right to remove the personal property of the Tenant (the "Tenant's Property"), if any shall not apply to any computer tapes, computer programs, disks documentation, customer lists, manuals, computer hardware furniture, enviro walls, any telecommunications equipment which are the property of the tenant or owned by a third party of which the Tenant has use of for its benefit The Landlord further agrees that the Tenant's Property may be sold, disposed of or removed by the tenant without substituting new goods or chattels of equal value thereto and the tenant shall be permitted to subject the Tenant's Property t mortgages, charges, or encumbrances without the prior consent c the Landlord but with prior written notice.

The following is added to the Lease as Section 16.00:

Section 16.00 - Access

16.00 Access - Subject to the Terms of the Lease, during the Term of the Lease and any renewals or extensions thereof, the Tenant shall be allowed 24 hour a day, 7 days a week access to the Premises, common areas, Building conduits, roof and Antennae as per the Lease.

The following is added to the Lease as Section 17.00:

Section 17.00 - Special Terms

17.00 Special Terms - Provided:

a) The Tenant is not then in default thereunder of its obligations under this Lease, nor has it been in chronic default of any of its Lease obligations during the Term (which default in each case will be evidenced by written correspondence by the Landlord);

b) 3407276 Canada Inc., operating as Bridgepoint Enterprises, is in possession of all of the Premises, has not sublet all or part of the Premises except to those companies to whom the Tenant is then providing telecommunications services, or assigned the Lease; and

c) there has not been a change in effective control of Tenant unless such change in effective control is an amalgamation or merger of the Tenant as part of a corporate reorganization or takeover which does not affect the creditworthiness of the Tenant

the Tenant shall have the one time right to install the following. Should the Tenant not install, or should any item be unable to be installed in the Building for any reason, the Tenant shall have no further right under this Lease to install the following items:

i) *Conduits:* The Landlord shall allow the Tenant at its sole cost and expense to bring one four-inch conduit from the street to the Premises. The Tenant shall have access to building risers, conduits and above-ceiling spaces at no cost for the term of the Lease and any renewals. Any and all access to Building risers, conduits and above-ceiling spaces shall be approved by the Landlord acting in its sole discretion.

ii) *Rooftop Antennae:* The Tenant shall have the right to install up to three (3 antennae on the roof, and ancillary equipment to be located in the rooftop) mechanical room on the roof of the Building at the Tenant’s sole cost and expense on a yearly basis. The installation, size and location of sue) ancillary equipment and antennae shall comply with all government: requirements (local, provincial and federal), but prior to any such installation such specifications and location shall first be reviewed and approved by the Landlord, acting reasonably, and will be mutually agreed to by the Landlord and the Tenant, both acting reasonably. The Tenant shall be charge $5,000.00 during Years 1 to 5 and $10,000.00 during Years 6 to 10 per antenna that is actually installed, for the use of the roof and a portion of the rooftop mechanical room of the Building.

The Tenant shall execute the Landlord's standard form of license agreement in respect of the designated area and the antennae, and the Tenant agrees mat it shall be solely responsible for all costs including but not limited to electricity, installation, testing any additional structural support, maintenance, operations and removal of the antennae. Upon the removal of the antenna, expiry of the Term, Renewal Term or earlier termination thereof, the Tenant shall be obligated to remove the antennae and all related equipment from the Building and rooftop of the Building and restore both to the condition it was in prior to any such installation.

iii) *Emergency Power Supply:* The Tenant, provided it is not in default under the Lease, shall be permitted at its sole expense, to supply and install, at any time during the Term, an emergency power generator (250 to 350 KVA) and fuel tank for the Tenant's exclusive use, at no cost throughout the Term or any renewal periods provided such location and method of installation has been approved by the Landlord acting reasonably. The area on the roof is to be designed by the Landlord for the Tenant's exclusive use, and mutually accepted by both parties during the Inspection Period defined herein. The Tenant agrees that is shall be solely responsible for all costs including, but not limited to, electricity,, installation, testing and .maintenance, operating and removal of the generator and all associated cabling and equipment Upon the expiry of the Term, Renewal term or earlier termination thereof, the Tenant shall be obligated to remove the generator and all related equipment from the roof of the Building and restore the Building to the condition it was in prior to any such installation. The Landlord shall provide up to 30 kVA of power from the building generator for a period of six (6) months from the time the Tenant takes occupancy for Tenant's temporary use only at no cost

iv) *Air Conditioning:* The Tenant will have the right to supply and install air conditioning units or condensers to service the Premises (two units of fifteen tons each), at die Tenant's sole cost and expense provided such location and method of installation has been approved by the Landlord acting reasonably. Prior to any such installation, the Tenant shall have the option to locate the air conditioning units or condensers on the roof in any area to be reviewed and mutually agreed to by the Landlord and the Tenant, both acting reasonably, within the Inspection Period as defined herein. Upon the expiration of the Term, Renewal Term or earlier termination thereof, the tenant shall be obligated to remove the air conditioning units and/or condensers and al related equipment from the Building and restore the Building to the condition it was in prior to any such installation. The Tenant can remove and use an} or all HVAC systems on the 5* floor.

v) *Raised Flooring:* The Tenant shall remove and use within • its specified Premises all of the raised flooring, including ramps and other raised floor accessories currently located in the vacant space on the 5*° and 10^{m} floors.

vi) *Security System:* The Tenant shall install a 24-hour security system in the Premises and the Landlord agrees to allow the Tenant's system to be tied in with the Landlord's security system, if possible, provided such installation does not increase the cost of security to the Landlord. If the cost of sue! security services does increase due to the Tenant's requirement, the Tenant shall pay all additional costs.

vii) *External Venting:* Depending on the equipment installations within the Premises, and given the Use of the Tenant, it may be necessary to provide direct venting from the Premises to the exterior of the Building for such items as generator exhaust fumes, heating, ventilation and air conditioning equipment exhaust and fire suppression equipment The location of my required vents will be subject to the Landlord's reasonable approval to be mutually agreed to by the Landlord and the Tenant, both acting reasonably, within the Inspection period as defined herein, and giving due regard to the established architectural integrity of the Building. Upon the expiry of the Term, Renewal Term or earlier termination thereof, the Tenant shall be obligated to remove the external venting and all related equipment from the Building and restore the Building to the condition it was in prior to any suet installation.

THIS LEASE AMENDING AGREEMENT made as of the 1” day of October, 2000.

BETWEEN:

LOCATION[3] LIMITED

(herein called the “Landlord”)

OF THE FIRST PART

-and-

BRIDGEPOINT INTERNATIONAL (CANADA) INC.

(herein called the “Tenant”)

OF THE SECOND PART

WHEREAS by a lease dated as of the 20th day of July, 1999, (herein called the “Lease”) made between the Landlord and the 3407276 Canada Inc., operating as Bridgepoint Enterprises (herein called “Enterprises”) the Landlord leased to Enterprises certain premises located on the 3rd Floor (herein called the “Original Premises”) of the office building located at 55 York Street, Toronto, Ontario, and more particularly described in Schedule “A” attached hereto and Schedule “A” to the Lease (herein called the “Building”) for a term of ten years commencing on the 1th day of November, 1999, at the rent therein reserved and upon and subject to the terms and conditions therein contained;

AND WHEREAS by Certificate of Amendment dated the 15th day of September, 1999, the name of Enterprises was changed to Bridgepoint International (Canada) Inc., the Tenant herein;

AND WHEREAS the Landlord has agreed to lease to the Tenant and the Tenant has agreed to lease from the Landlord: 0) the office premises located on the 5th Floor of the Building at the approximate location shown outlined in red on Schedule “B” attached hereto having a rentable area of approximately Eight Thousand and Sixty-two (8,062) square feet (herein called “Premises A”); (ii) that portion of the office premises located on the 3rf Floor of the Building at the approximate location shown outlined in green on Schedule “B” attached hereto having a rentable area of approximately Three Thousand Nine Hundred and Forty-one (3,941) square feet (herein called “Premises B”); and (Hi) the storage premises located in the basement of the Building having a rentable area of approximately One Hundred and Four (104) square feet

(herein called “Premises C); the area of each of Premises A, Premises B and Premises C (herein collectively called the “Additional Premises”) being subject to the Architect’s verification which shall be measured and calculated in accordance with subclause 2(s) of the Lease, for the term, at the rent and upon and subject to the terms and conditions herein specified;

AND WHEREAS the Landlord and the Tenant have agreed to amend the Lease in the manner herein provided and that all capitalized terms used in this Agreement shall have the meanings ascribed thereto in the Lease unless the context otherwise requires.

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the premises, the covenants and agreements herein contained and other good and valuable consideration, the parties hereto covenant and agree as follows:

DEMISE OF PREMISES

1. The Landlord hereby demises and leases to the Tenant: (i) Premises A to have and to hold Premises A for and during the term of nine (9) years and one (1) month to be computed from the 1st day of October, 2000, and thenceforth next ensuing and fully to be completed on the 31st day of October, 2009; and (ii) Premises B to have and to hold Premises B for and during the term of eight (8) years and eleven (11) months to be computed from the 1st day of January, 2001, and thenceforth next ensuing and fully to be completed on the 31st day of October, 2009; and (iii) Premises C to have and to hold Premises C for and during the term of nine (9) years and one (1) month to be computed from the 1st day of October, 2000, and thenceforth next ensuing and fully to be completed on the 31st day of October, 2009; upon and subject to all of the terms and conditions contained in the Lease, including but not limited to the obligation of the Tenant to pay additional rent, except that the Tenant’s obligation to pay annual rent in respect of the Additional Premises shall be as set out in paragraph 2 below and except as otherwise provided herein.

ANNUALRENT

2. (a) The Tenant hereby accepts and leases the Additional Premises from the Landlord and shall pay rent to the Landlord yearly and every year during the term without prior demand and without any deduction, abatement or set-off whatsoever in lawful money of Canada by cheque or money order payable to the Landlord at Toronto or to such other person or at such other place in Canada as the Landlord may direct from time to time as follows:

0) the Tenant shall pay to the Landlord as net annual rent for Premises A:

(A) the sum of $104,806.00 per annum, based on the annual rate of $13.00 per square foot of the Rentable Area of Premises A, payable without notice in equal consecutive monthly installments of $8,733.83 each in advance on the first day of each calendar month during the period from the 1st day of October, 2000, to the 31st day of October, 2001;

(B) the sum of $128,992.00 per annum, based on the annual rate of $16.00 per square foot of the Rentable Area of Premises A, payable without notice in equal consecutive monthly instalments of $10,749.33 each in advance on the first day of each calendar month during the period from the 1st day of November, 2001, to the 31st day of October, 2003;

(C) the sum of $137,054.00 per annum, based on the annual rate of $17.00 per square foot of the Rentable Area of Premises A, payable without notice in equal consecutive monthly installments of $ 11,421.17 each in advance on the first day of each calendar month during the period from the 1st day of November, 2003, to the 31st day of October, 2004; and

(D) the sum of $161,240.00 per annum, based on the annual rate of $20.00 per square foot of the Rentable Area of Premises A, payable without notice in equal consecutive monthly installments of $13,436.67 each in advance on the first day of each calendar month during the period from the 1st day of November, 2004, to the 31st day of October, 2009;

(ii) the Tenant shall pay to the Landlord as net annual rent for Premises B:

(A) the sum of $51,233.00 per annum, based on the annual rate of $13.00 per square foot of the Rentable Area of Premises B, payable without notice in equal consecutive monthly installments of $4,269.42 each in advance on the first day of each calendar month during the period from the 1st day of January, 2001, to the 31st day of October, 2001;

(B) the sum of $63,056.00 per annum, based on the annual rate of $16.00 per square foot of the Rentable Area of Premises B, payable without notice in equal consecutive monthly installments of $5,254.67 each in advance on the first day of each calendar month during the period from the 1st day of November, 2001, to the 31st day of October, 2003;

(Q the sum of $66,997.00 per annum, based on the annual rate of $ 17.00 per square foot of the Rentable Area of Premises B, payable without notice in equal consecutive monthly installments of $5,583.08 each in advance on the first day of each calendar month during the period from the 1st day of November, 2003, to the 31st day of October, 2004; and

(D) the sum of $78,820.00 per annum, based on the annual rate of $20.00 per square foot of the Rentable Area of Premises B, payable without notice in equal consecutive monthly installments of $6,568.33 each in advance on the first day of each calendar month during the period from the 1st day of November, 2004, to the 31st day of October, 2009; and

(iii) the Tenant shall pay to the Landlord as gross annual rent for Premises C the sum of $1,560.00 per annum, based on the annual rate of $15.00 per square foot of the Rentable Area of Premises C, payable without notice in equal consecutive monthly installments of $130.00 each in advance on the first day of each calendar month during the term, the first such monthly installment to be paid on the 1st day of October, 2000.

(b) It is the intent of the Landlord and the Tenant that the annual rent for Premises A and Premises B (herein collectively called the "Office Premises") shall be net to the Landlord and that as additional rent in respect of the Office Premises the Tenant shall pay to the Landlord the Tenant's Proportionate Share of Allocable Taxes and Allocable Operating Expenses in equal monthly installments in advance as more particularly set forth in the Lease, and the Tenant shall pay to the Landlord Utility Charges and Service Costs, any Special Tenant Operating Expenses and the Cost of Additional Services as set forth in the Lease.

(c) Notwithstanding anything contained in the Lease to the contrary, it is the intent of the Landlord and the Tenant that the annual rent for Premises C shall be gross to the Landlord and the Tenant shall not be obliged to pay to the Landlord the Tenant's Proportionate Share of Allocable Taxes and Allocable Operating Expenses or any Utility Charges and Service Costs in respect of Premises C, but that the Tenant shall be obliged to pay to the Landlord as additional rent in respect of Premises C all Special Tenant Operating Expenses and the Cost of Additional Services as set forth in the Lease, provided that if during the term there is an increase in Allocable Taxes in respect of Premises C as a result of any reassessment of those premises in the Building identified as storage premises, the Tenant shall pay to the Landlord each year during the term as additional rent that portion of the increase attributable to Premises C.

DEPOSIT

3. Landlord acknowledges receipt of a deposit in the amount of $56,809.80, GST included, to be credited against the first two months gross rent payable under the Lease.

ESTIMATED ADDITIONAL RENT

4. The Tenant's Proportionate Share of Allocable Taxes and Allocable Operating Expenses is estimated by the Landlord for the year 2000 to be $13.54 per square foot of the Rentable Area of the Additional Premises.

USE

5. The wording of subclause 4(c) of the Lease is hereby deleted and replaced with the following wording:

> The Tenant shall use the Original Premises and the Additional Premises only for the purposes of: (i) in the case of the Original Premises and the Office Premises, the management and operation of the Tenant's facilities and the communications equipment of the Tenant's telecommunications customers (herein called the "Customers"), and offices for the conduct of the Tenant's business; and (ii) in the case of Premises C, the storage of items related to the Tenant's business; and shall not use or permit to be used the

Original Premises or the Additional Premises or any part thereof for the purpose of a workshop or for the sale of goods or for any other purpose or business. The Landlord acknowledges that the Tenant's business to be conducted in the Original Premises and the Office Premises requires the installation on such premises of certain communications equipment by Customers in order for the Customers to interconnect with the Tenant's facilities or to permit the Tenant to manage or operate the Customers' communications equipment pursuant to co-location and other services agreements entered into by the Tenant with its Customers (herein called the "Co-location Agreements").

ACCESS BY CUSTOMERS

6. Customers that have entered into Co-location Agreements with the Tenant shall be permitted access to the Original Premises and the Office Premises at the times access is allowed to the Tenant pursuant to Section 16.00 of Schedule "D" to the Lease.

CO-LOCATION AGREEMENTS

7. Notwithstanding anything contained in the Lease to the contrary, any Co-location Agreements entered into by the Tenant with its Customers shall not be considered to be sublettings or assignments pursuant to clause 10 of the Lease.

SIGNAGE

8. The Tenant shall be permitted to have installed in compliance with the provisions of the Lease base Building signage in those areas designated by the Landlord on the Building lobby directory board, the floor lobby directory and the entrances to the Office Premises.

CONDITION OF PREMISES

9. The Additional Premises shall be provided in an "as is" condition, subject only to completion by the Landlord of the Landlord's Work specified in paragraph 13 below.

RELOCATION COST

10. The Tenant acknowledges that the leasing pursuant hereto of that portion of Premises B described as Suite 350 is subject to the relocation of a pre-existing tenant of said Suite 350 by the Landlord. The Tenant shall pay to the Landlord all of the costs incurred by the Landlord, acting prudently, to relocate such pre-existing tenant to other premises in the Building (herein called the "Relocation Expense"). The Relocation Expense was estimated to be $5,000.00 and that amount has been amortized by monthly installments over the term hereby granted and

included in the annual rent set out in clause 2(a) above. The Landlord shall supply the Tenant with copies of invoices or other support for the Relocation Expense and the amount by which the Relocation Expense exceeds the amount so estimated shall be deducted from the Leasehold Improvement Allowance specified in paragraph 12 below.

EDITORING PERIOD

11. Provided that the Landlord has obtained vacant possession of the Additional Premises and has completed any of the Landlord's Work necessary for the performance of the Tenant's Work specified in paragraph 13 below, the Tenant shall be permitted to have occupancy of the Additional Premises prior to the Commencement Date to carry out the Tenant's Work, and such occupancy may be either exclusive or in common with the Landlord and its contractors, subcontractors arid employees. During such period of occupancy by the Tenant prior to the Commencement Date (the "Fixturing Period") the Tenant shall be bound by all of the provisions hereof and of the Lease except that the Tenant shall not be required to pay any annual rent or the Tenant's Proportionate Share of Allocable Taxes and Allocable Operating Expenses or Utility Charges and Service Costs for such period.

LEASEHOLD IMPROVEMENT ALLOWANCE

12. The Landlord will pay on behalf of the Tenant, as a contribution towards the costs to be incurred by or on behalf of the Tenant of the Tenant's Work, a leasehold improvement allowance equal to the lesser of: *(i)* the actual cost of the Tenant's Work; and *(A)* $20.00 per square foot of the total Rentable Area of the Office Premises; plus applicable goods and services tax (herein called the "Leasehold Improvement Allowance"). The Leasehold Improvement Allowance shall be payable to the approved contractor and/or project manager performing the Tenant's Work in installments as agreed between the Landlord and the Tenant against contractor's invoices as approved and certified to be correct by the Tenant and issued for work certified by the Tenant to have been completed. All payments shall be subject to applicable construction lien holdback requirements and the final ten percent (10%) holdback shall be paid only after termination of the applicable holdback period pursuant to the *Construction Lien Act* (Ontario) and following receipt by the Landlord of satisfactory evidence by way of statutory declaration verifying the substantial completion of, and the expiry of all claims for lien with respect to, the Tenant's Work.

LANDLORD'S WORK

13. The Landlord shall carry out such work (the "Landlord's Work"), at the sole cost of the Landlord, as is necessary to prepare the Office Premises for the performance of the Tenant's Work in accordance with the Tenant's specifications and detailed space plan approved by the Landlord. Such work shall be performed using the standard materials and finishes for the Building and shall include the following:

(a) Building standard HVAC installed and working to Building standard specifications;

(b) Building standard electrical supply to the Office Premises;

(c) Building standard T-bar ceiling and acoustic tile installed;

(d) Building standard light fixtures installed and working;

(e) Building standard sprinkler system installed and working;

(f) One (1) 3 inch riser with an EMT conduit for the Tenant's use from the basement of the Building to a designated communications room on each of the floors of the Building on which the Office Premises and the Original Premises are located; and

(g) Building standard blinds on all outside windows.

The Landlord and the Tenant shall meet to establish a schedule for completion of any of the Landlord's Work which requires co-ordination with the Tenant's Work and the Tenant shall use its best efforts to assist the Landlord in completing the Landlord's Work in accordance with such schedule, provided that the Landlord shall not be responsible for any delays caused by the Tenant's failure to agree to or act in accordance with such schedule.

TENANT'S WORK

14. The Tenant shall be responsible at the Tenant's sole cost and expense for the construction and installation of all of the Tenant's leasehold improvements (the "Tenant's Work") and the performance of all work and the provision of all services, materials and equipment necessary for the completion of the Tenant's Work, other than work expressly included as part of the Landlord's Work, provided that the Tenant shall obtain the Landlord's written approval for all of the Tenant's plans and specifications prior to the commencement of any work, including but not limited to any changes to the base Building standard systems, installations, construction and equipment necessitated by the Tenant's Work. The construction and installation by the Tenant of the Tenant's Work shall be subject to all of the provisions of the Lease and, in addition, shall be carried out in compliance with the following procedures:

(a) The Tenant shall submit to the Landlord for approval by the Landlord's consultants, stamped interior design, mechanical and electrical/engineering drawings completed by a registered member of ARIDO showing the complete scope of the Tenant's Work, and it will be the Tenant's responsibility to obtain all necessary approvals and building permits from authorities having jurisdiction. No work may be commenced until such approvals have been obtained, and all work shall be performed in accordance with reasonable conditions and regulations imposed by the Landlord and shall be subject to inspection by, and the reasonable supervision of, the Landlord or its agent, the cost of which shall be recoverable by the Landlord from the Tenant;

(b) All costs to complete the Tenant's Work, whether incurred by the Tenant or by the Landlord, will be for the account of the Tenant including, if applicable, provision of temporary services such as power, heat, garbage disposal containers and the use of a designated elevator during the execution of the work, provided that the Landlord shall supply the Tenant with copies of invoices or other support for any such costs incurred by the Landlord;

(c) In the event that changes to the base Building standard systems, installations, construction and equipment are contemplated by the Tenant, the Landlord shall have absolute discretion in determining the necessity for such changes and whether such changes as are approved by the Landlord shall be carried out by the Landlord or the Tenant, and all such changes that are carried out by the Landlord shall be performed at the sole cost and expense of the Tenant, which expense plus ten (10%) percent thereof as an administrative charge shall be paid by the Tenant to the Landlord forthwith on demand therefor and shall be recoverable by the Landlord in the same manner as rent, provided that the Landlord shall supply the Tenant with copies of invoices or other support for all such expenses;

(d) All work must be carried out in accordance with the plans and specifications approved by the Landlord and in a good and workmanlike manner as quickly as possible and with minimum inconvenience to other occupants of the Building; and

(e) Prior to commencing work, the Tenant will arrange for All Risk, Fire and Public Liability and Property Damage Insurance in an amount and with an insurer acceptable to the Landlord and naming the Landlord and Colliers Macaulay Nicolls (Ontario) Inc., the Landlord's property manager, as additional insureds.

LEASE RENEWAL OPTION

15. The option to renew the Lease set out in Section 7.00 of Schedule "D" to the Lease is hereby ratified and is confirmed to be applicable to both the Original Premises and the Additional Premises in accordance with its terms.

RESTORATION

16. On the expiry of the term or any extension of the term of the Lease, the Tenant shall, at its sole cost and expense: (i) remove from the Additional Premises and the Building all ancillary equipment, conduits and cabling relating to the Additional Premises installed by or for the Tenant, including but not limited to the equipment installed on the roof of the Building such as generators, condensers, auxiliary chillers and antennae, or in the basement of the Building such as fuel storage containers; (ii) remove from the Additional Premises the trade fixtures, trade equipment, furniture and work stations placed or installed in the Additional Premises by or for the Tenant; and (iii) repair any damage caused to the Additional Premises or the Building by the placement, installation or removal as aforesaid and restore the Additional Premises to base Building condition in accordance with the provisions of the Lease, subject to normal wear and tear.

ELECTROMAGNETIC INTERFERENCE

17. The wording of Section 10:00 of Schedule “D” to the Lease is hereby deleted and replaced with the following:

> The Tenant shall be responsible for ensuring that the construction, installation, operation and use of the Tenant’s communications cables, fibre, equipment, apparatus and ancillary attachments do not interfere with, disrupt or degrade the signals lawfully transmitted or received by, or the equipment or systems used or operated by, the Landlord or any tenant or other occupant of the Building, and are at all times in full compliance with all laws, rules, regulations and the orders of authorities having jurisdiction applicable to the production, emission and/or transmission of electromagnetic signals or radiation. In the event of any such interference, disruption or degradation, the Tenant shall take all reasonable action necessary to cause all such interference, disruption or degradation to cease forthwith after receipt by the Tenant of notification thereof in writing from the Landlord, failing which the Landlord shall be entitled, without prejudice to any other rights or remedies available to the Landlord, to terminate the Lease by giving fifteen (IS) days written notice of such termination to the Tenant, provided that if the interference, disruption or degradation cannot be rectified or cured immediately and the Tenant commences forthwith after receipt of the Landlord’s written notice thereof and thereafter continuously and diligently pursues such reasonable action as is necessary to rectify or cure such interference, disruption or degradation, the Landlord shall not be entitled to terminate the Lease unless such interference, disruption or degradation has not wholly ceased within forty-five (45) days next following receipt by the Tenant of the Landlord’s written notice thereof.

ELECTRICITY CHECKMETERS

18. The Tenant shall install, at the Tenant’s sole expense, a checkmeter for Premises A and a checkmeter for Premises B and the Original Premises for the monitoring of all electricity usage in the Office Premises and the Original Premises. If the use of electricity in any of Premises A, Premises B or the Original Premises is in excess (on a per square foot basis) of the normal office consumption in the Building, the cost of the excess electricity usage shall be charged to and paid by the Tenant as a Special Tenant Operating Expense. The Tenant shall allow unrestricted access by the Landlord to the checkmeters for the monitoring and verification of electricity usage.

COMMUNICATIONS CABLES AND FIBRES

19. All of the Tenant's communication cables and fibres to and from the Additional Premises shall be distributed through a base building 3 inch riser space supplied and installed by the Landlord with EMT conduit as provided in paragraph 13 above. Any additional riser space required by the Tenant shall be subject to the Landlord's prior written consent, which shall not be unreasonably withheld, and shall be installed by the Landlord at the sole cost and expense of the Tenant, which expense plus ten (10%) percent thereof as an administrative charge shall be paid by the Tenant to the Landlord forthwith on demand therefor and shall be recoverable by the Landlord in the same manner as rent.

ELECTRICAL SOURCE

20. The Landlord shall allow the Tenant the use of 500 kw/600 volts electrical power supply for the Office Premises and the Original Premises to be connected off side A only of the secondary switchboard located in the Building's basement electrical room. The Tenant shall be responsible for any transformation of the electrical supply voltage to the actual voltage required by the Tenant for the operation of its equipment. If and when the Tenant requires electrical power in excess of the allotted power supply (500 kw/600 volts) referred to above, the Landlord at the Tenant's written request and at the Tenant's sole cost and expense shall use its best efforts to cause up to 500 kw/600 volts of additional electrical power to be supplied to the Office Premises and the Original Premises and shall determine the "replacement cost" of such additional electrical power, which cost plus ten percent (10%) thereof as an administrative charge shall be paid by the Tenant to the Landlord forthwith on demand and shall be recoverable by the Landlord in the same manner as rent.

GENERATOR AND CONDENSERS

21. (a) Subsection 17:00 (iii) of Schedule "D" to the Lease is hereby amended by deleting from the third line "(250 to 350 KVA)" and inserting "(800 KVA)" in replacement thereof, and subsection 17:00 (iv) of Schedule "D" to the Lease is hereby amended by deleting from the second line the words "two units of fifteen tons each" and inserting the words "four condenser units at fifteen tons each and twelve air conditioning units, two at twenty tons each, two at twelve tons each and eight at fifteen tons each" in replacement thereof.

(b) The Landlord acknowledges that the Tenant has installed the generator contemplated under subsection 17:00 (iii) of Schedule "D" to the Lease and the condenser and air conditioning units contemplated under subsection 17:00 (iv) of Schedule "D" to the Lease, in each case at a location and using a method of installation approved by the Landlord.

STORAGE TANKS

22. The Tenant shall be entitled to install in Premises C up to five (5) fuel storage tanks having a capacity of up to one thousand (1,000) litres each.

NORMAL BUSINESS HOURS

23. The wording of subclause 2(p) of the Lease is hereby deleted and replaced with the wording “Normal Business Hours shall mean and refer to the hours from 7:00 a.m. to 6:00 p.m. on each Business Day, the hours from 8:00 a.m. to 2:00 p.m. on Saturdays and such other hours as may be designated by the Landlord from time to time.”

NOTICES

24. (a) The address of me Landlord set out in clause 21 of the Lease is hereby deleted and replaced with the following:

Location[3] Limited
c/o Colliers Macaulay Nicolls (Ontario) Inc.
Suite 2200
1 Queen Street East
Toronto, Ontario
M5C2Z2

Fax: 416-777-2277

Attention: Property Manager, 55 York Street, Toronto

(b) The address of the Tenant set out in clause 21 of the Lease is hereby deleted and replaced with the following:

Bridgepoint International (Canada) Inc.
Suite 2300
800 Rene-Levesque Boulevard West
Montreal, Quebec
H3B 1X9

Fax: 514-878-1295

Attention: Chief Financial Officer

ACKNOWLEDGEMENT

25. The Landlord and the Tenant each acknowledge that the First Opportunity to Lease set out in Section 12:00 of Schedule “D” to the Lease is no longer applicable and is hereby deleted, and that the Tenant’s obligation to lease storage space in the basement of the Building set out in Section 14:00 of Schedule “D” to the Lease has been satisfied.

GST

26. Notwithstanding any other provisions hereof or of the Lease, the Tenant shall pay to the Landlord an amount equal to any and all goods and services taxes, sales taxes, value added taxes, business transfer taxes, and any other taxes imposed on the Landlord or the Tenant with respect to the rent (annual rent, additional rent or any other amounts payable by the Tenant to the Landlord hereunder or under the Lease) payable by the Tenant to the Landlord pursuant hereto or to the Lease, or in respect of the rental of space hereunder or under the lease, whether characterized as a goods and services tax, sales tax, value added tax, business transfer tax, or otherwise (hereinafter individually and collectively called “Sales Taxes”). The amount of the Sales Taxes so payable by the Tenant shall be calculated by the Landlord in accordance with the applicable legislation and shall be-paid to the Landlord at the same time as the amounts to which such Sales Taxes apply are payable under the terms hereof or of the Lease or upon demand or at such other time or times as the Landlord from time to time determines. Despite any other provisions of the Lease, the amounts payable by the Tenant pursuant to this paragraph shall be deemed not to be rent, but the Landlord shall have all of the same rights and remedies for the recovery of such amounts as it has for recovery of rent under the Lease.

RATIFICATION

27. The contents of this Agreement are hereby incorporated in and deemed to form a part of the Lease; all of the covenants, terms, conditions and provisions contained in the Lease modified or supplemented by the provisions of this Agreement, as applicable to the Additional Premises and/or the Original Premises, are hereby ratified and confirmed; all of the obligations and liabilities of the Tenant under and pursuant to the Lease as modified or supplemented by this Agreement, including, without limitation, the obligation of the Tenant to pay annual rent in respect of the Original Premises as set out in the Lease and in respect of the Additional Premises as set out in this Agreement, are binding on and enforceable against the Tenant; and all references to the Premises in the Lease, except for the two sentences beginning with the word “witnesseth” on page 4 of the Lease, clause 1 of the Lease, Sections 1.00,2.00, 3.00,4.00, 5:00, 6.00, 9.00, and 11.00 of Schedule “D” to the Lease, and Schedule “C” to the Lease, which are applicable solely to the Original Premises, and except for subclause 2(r) in the Lease which in respect of the Additional Premises shall not include Premises C, shall be deemed for all purposes of the Lease to be references to each of the Original Premises and the Additional Premises.

MERGER

28. This Agreement supercedes and replaces the Agreement to Lease dated September 14,2000, entered into between the parties hereto which, on the execution of this Agreement, shall be deemed to have merged and shall have no further force or effect.

SCHEDULES

29. Schedules “A” and “B” annexed hereto are incorporated herein by this reference and form a part of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

LANDLORD

LOCATION3 LIMITED

Name : Robert D. Greer, Jr.
Position: Secretary

I have authority to bind the Corporation.

TENANT

BRIDGEPOINT INTERNATIONAL (CANADA) INC.

Name - Richard Gendron
Position - President & COO

Per:

Name: Yves Grou
Position - CFO

We have authority to bind the Corporation.

SCHEDULE “A”

DESCRIPTION OF LANDS

55 York Street, Toronto

All that certain parcel of land situate, lying and being in the City of Toronto, in the Municipality of Metropolitan Toronto and Province of Ontario and being composed of parts of lots numbers three (3) and four (4) and five (5) on the east side of York Street as shown on a plan now filed in the Registry Office for the Registry Division of Toronto as No. 52, and part of the street fifty feet (50’) in width, lying on the south of the said lot five (5) as shown on the said plan, which may be more particularly described as follows:

COMMENCING at a point in the easterly limit of York Street where it is intersected by the northerly limit of Piper Street as established by By-law No. 3925 of the City of Toronto;

THENCE NORTHERLY along the easterly limit of York Street eighty-one feet three inches (81’3”) more or less, to the production westerly of the southerly face of the southerly wall of the brick building standing in December, 1929, upon the westerly part of the said Lot three (3) said point being distant one foot three and one-half inches (1 ‘3-1/2”) more or less, measured northerly from the southerly limit of the said lot three (3);

THENCE EASTERLY along the said southerly face of wall to and along the southerly face of the southerly wall of the easterly part of the said building and continuing thence easterly along the southerly face of the brick buildings immediately adjoining the said brick building on the east one hundred and twenty-six feet one inch (126’ 1”) more or less, to the northerly production of the westerly face of the westerly wall of the old three storey brick building standing in February, 1928, upon the rear part of the said lots four (4) and five (5);

THENCE SOUTHERLY along the said production and the westerly face of the last mentioned wall and its production southerly eighty-three feet six inches (SSV) more or less, to the said northerly limit of Piper Street;

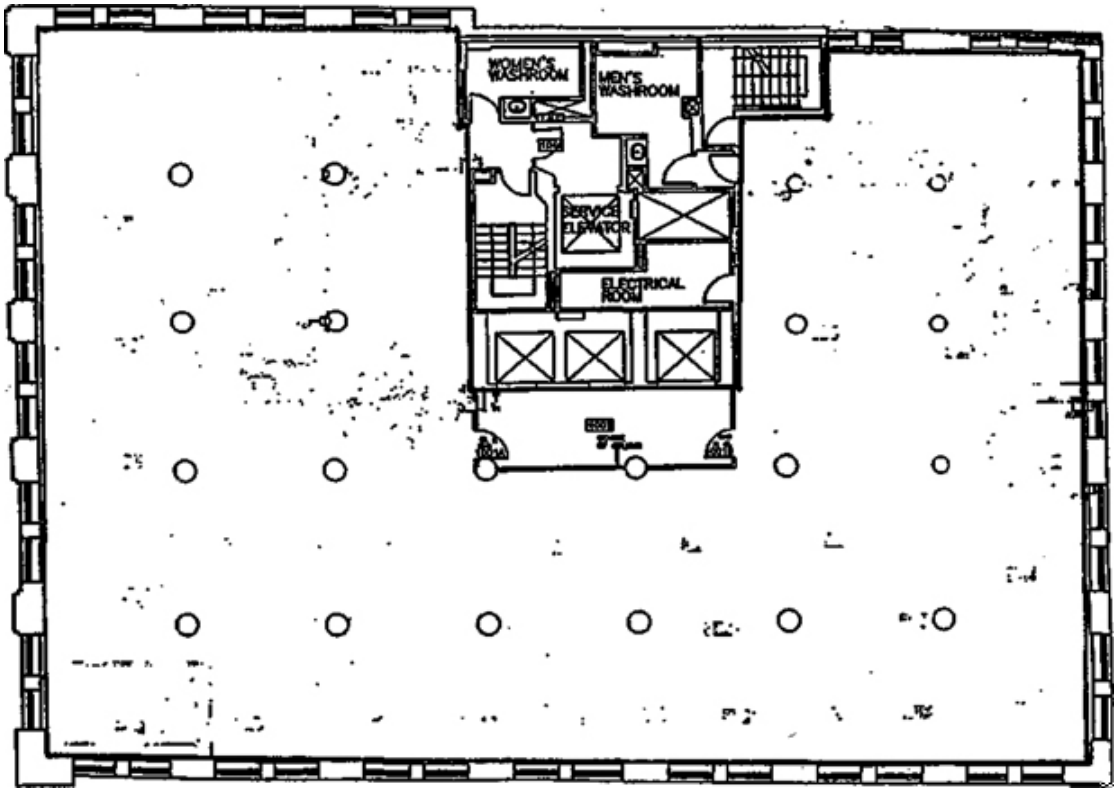
THENCE WESTERLY along the said northerly limit of Piper Street one hundred and twenty-six feet four and three-quarter inches (126’4-3/4”) more or less to the point of commencement.

The east side of York Street is confirmed by Plan BA-681 under the Boundaries Act registered on September 17, 1975 in the Land Registry Office for the Registry Division of Toronto as Instrument Number CT140854.

Being most recently described in a deed of the lands (but excluding the building) by Montreal Trust Company, Trustee to National Trust Company, Trustee registered as Instrument No. CT765296.

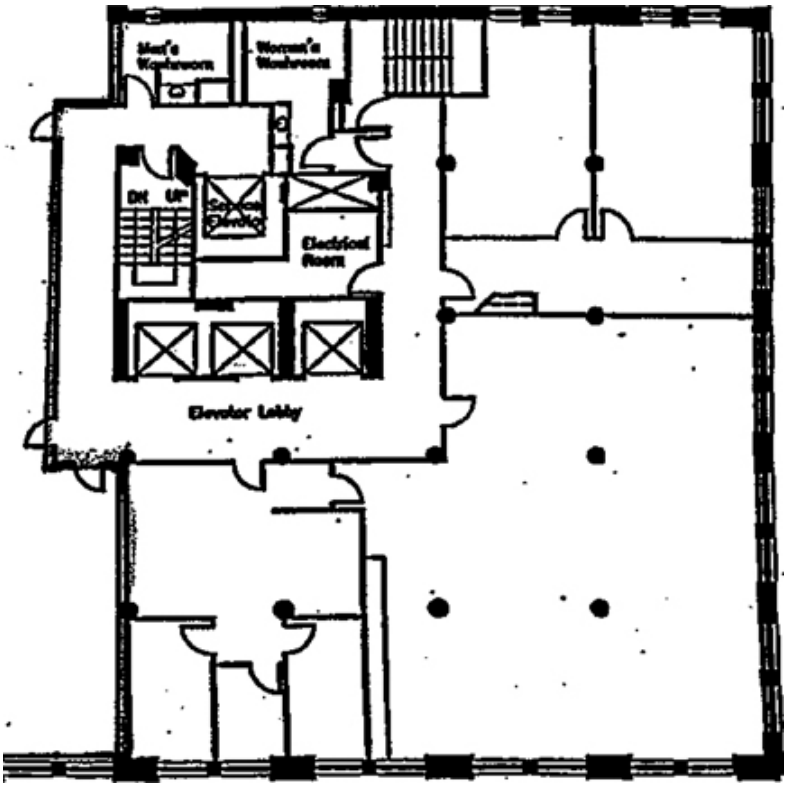
THIS IS SCHEDULE “B” REFERRED TO
IN THE ATTACHED LEASE AMENDING AGREEMENT
BETWEEN LOCATION[3] LIMITED AS LANDLORD AND
BRIDGEPOINT INTERNATIONAL (CANADA) INC. AS TENANT

ADDITIONAL PREMISES



5th Floor, 55 York Street, Toronto, Ontario

ADDITIONAL PREMISES



3th Floor, 55 York Street, Toronto, Ontario

ASSIGNMENT

THIS ASSIGNMENT made as of the 15th day of January, 2002.

BETWEEN:

BRIDGEPOINT INTERNATIONAL (CANADA) INC.

(hereinafter called the "Assignor")

OP THE FIRST PART

-and-

COGNICASE INC.

(hereinafter called the "Assignee")

OF THE SECOND PART

-and-

LOCATION[3] UMTTED

(hereinafter called the "Landlord")

OF THE THIRD PART

WHEREAS by a lease dated as of the 20th day of My, 1999, as amended by a lease amending agreement dated as of the 1st day of October, 2000, (herein collectively called the "Lease") made between the Landlord as landlord and the Assignor as tenant, the Landlord leased to the Assignor certain office premises on the 3rd and 5th Floors and storage premises in the basement (herein collectively called the "Premises") of the office building located at 55 York Street, Toronto, Ontario, and more particularly described in Schedule "A" attached hereto (herein called the "Building") for a term ending on the 31st day of October, 2009, (herein called the "Term") subject to the payment of the rent thereby reserved and to the observance and performance of the covenants, agreements and conditions therein contained;

AND WHEREAS the Lease contains a covenant on the part of the Tenant not to assign the Lease or sublet the Premises without the Landlord's prior written consent;

AND WHEREAS the Assignor has agreed with the Assignee to assign the Lease to the Assignee subject to the rent thereby reserved and the covenants, agreements and conditions therein contained, and to the Landlord granting its consent thereto;

AND WHEREAS the Assignor has applied to the Landlord for its consent to the assignment of the Lease to the Assignee and the Landlord has agreed to consent to such assignment upon and subject to the terms and conditions set out herein.

NOW THEREFORE THIS ASSIGNMENT WITNESSETH that, in consideration of the premises, the covenants and agreements herein contained and the payment of the sum of TWO DOLLARS ($2.00) by each party hereto to the others (the receipt and sufficiency whereof is hereby acknowledged) the parties hereto respectively covenant and agree as follows:

1. The Assignor as beneficial owner hereby transfers, assigns and sets over unto the Assignee the Premises together with all rights and privileges appurtenant thereto under and pursuant to the Lease, and the Lease together with all benefit and advantage to be derived therefrom, to have and to hold the same unto die Assignee for all the unexpired residue of the Term from and including the 15th day of January, 2002, (herein called the “Effective Date”) subject from and after the Effective Date to the payment of the rent reserved by the Lease and to the observance and performance of the covenants, agreements and conditions contained in the Lease on the part of the tenant to be observed and performed.

2. The Assignor hereby covenants with the Assignee that the Lease is a good, valid and subsisting Lease, that the rent reserved thereby has been duly paid to the Effective Date, that the covenants, agreements and conditions therein contained on the part of the tenant have been duly observed and performed up to the Effective Date, that subject to the consent of the Landlord required pursuant to the Lease, the Assignor is entitled to assign the Lease, that subject to the payment of the rent reserved by the Lease and die observance and performance of the covenants, agreements and conditions on the part of the tenant contained in the Lease the Assignee may enter into and upon and hold and enjoy the Premises for the residue of the Term and any renewal thereof without interruption by the Assignor or any person claiming through the Assignor, and that the Assignor shall from time to time at all times hereafter at the request and cost of the Assignee execute such further assurances in respect of this Assignment as the Assignee may reasonably require.

3. The Assignee hereby covenants with the Assignor that the Assignee will throughout the residue of the Term from and after the Effective Date and any renewal thereof pay the rent reserved by the Lease at the times and in the manner provided therein and observe and perform the covenants, agreements and conditions on the part of the tenant contained in the Lease, and will imdemnify and save harmless the Assignor from all rent, actions, suits, costs, losses, charges, damages and expenses in respect of any non-payment, non-observance or non-performance thereof.

4. The Assignee hereby covenants with the Landlord that the Assignee will from and after the Effective Date throughout the residue of the Term and any renewal thereof pay the rent reserved in the Lease at the times and in the manner therein provided and observe and perform the covenants, agreements and conditions on the part of the tenant contained in the Lease, and will indemnify and save harmless the Landlord from all actions, suits, costs, losses, charges, damages and expenses in respect of any non-payment, non-observance or non-performance thereof.

5 . The Landlord hereby consents to the within assignment of the Lease provided that nothing herein contained shall prejudice or affect or derogate from the original reservation of rent in the Lease or the binding effect of the several covenants, agreements and conditions on the part of the tenant contained in the Lease, or the rights of the Landlord under the Lease including but not limited to the power of re-entry and all other remedies reserved to the Landlord in the Lease for non-payment of rent and breach, non-observance or non-performance of any of the covenants, agreements and conditions on the part of the tenant contained in the Lease, and save as aforesaid the covenant in the Lease against assigning or subletting without the prior written consent of the Landlord shall remain in full force and effect and the consent herein snail not constitute a waiver of the requirement for the consent of the Landlord to any further transfer or other dealing with the Lease or the Premises in accordance with the provisions of the Lease;

6. The Assignor and the Assignee acknowledge that the Landlord has received estimated amounts only on account of the Tenant's Proportionate Share of Allocable Taxes and Allocable Operating Expenses payable under the Lease in respect of the Premises for the 2001, calendar year and the month of January, 2002, and the Assignor and the Assignee shall be jointly and severally responsible for, and hereby covenant to pay to the Landlord forthwith after demand, any amount by which the actual amount of such Tenant's Proportionate Share as calculated by the Landlord when the necessary information for such calculation becomes available exceeds the estimated amounts received by the Landlord prior to the Effective Date, and the Assignor and the Assignee shall be responsible for, and the Landlord shall have no responsibility with respect to, any necessary allocation and adjustment between the Assignor and the Assignee of any such amounts as at the Effective Date.

7. The Assignee shall be entitled to enter into and take possession of the Premises only following delivery to the Landlord of certified copies of policies of insurance or certificates of insurance acceptable to the Landlord verifying that the policies of insurance required to be taken out by the tenant pursuant to the Lease are in full force and effect.

8. The Landlord, by giving its consent pursuant hereto, does not acknowledge or approve any of (he terms of the assignment of the Lease as between the Assignor and the Assignee, or any other agreements between them, except only for the bare assignment of the Lease pursuant hereto.

9. The parties hereto acknowledge and confirm that the Lease is in full force and effect, and that this Assignment shall not be effective until the execution and delivery hereof by all parties hereto and the granting of all necessary permits, licences, exemptions and approvals under applicable law by all courts and governmental authorities having jurisdiction.

10. Subject to the provisions of Section 6 above, upon the execution and delivery of this Assignment by all parties hereto and the Assignee entering into possession of the Premises pursuant hereto, the Assignor shall be released from all further and other obligations to the Landlord under the Lease from and after the Effective date.

11 All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given on the date delivered if delivered by hand or on the date sent it sent by fax or on the 5th business day after the date of mailing if mailed by ordinary mail, postage prepaid, addressed to the party to whom such communication is intended to be given as follows: In die case of the

Landlord:

Location[3] Limited
c/o Colliers Macaulay Nicolls (Ontario) Inc.
Suite 2200
One Queen Street East
Toronto, Ontario
M5C2Z2

Fax: 416-777-2277

Attention: Property Management

In the case of the Assignor:

Bridgepoint International (Canada) Inc.
Suite 300
1155 University Street
Montreal, Quebec
M3B3A7

Fax: 514-878-1295

Attention; Chief Financial Officer

In the case of the Assignee:

Cognicase Inc.
9* HOOT
111 Duke Street
Montreal, Quebec
H3C2M1

Fax: 514-228-8955

Attention: Corporate Secretary

and any party may change its address for the purposes of this section by notice given to the other parties in accordance with the provisions of this section.

12 This Assignment and everything herein contained shall enure to the benefit of and Be binding upon the parties hereto and their legal personal representations, successors and assigns, respectively.

IN WITNESS WHEREOF the parties hereto have executed this Assignment.

BRIDGEPOINT INTERNATIONAL (CANADA) INC.

Per: _____
Name: Lu Chatillon
Position: Secretary

Per: _____
Name:
Position:

I/We have authority to bind the Corporation

COGNICASE INC.

Name: _____
Position:

Per: _____
Name-
Position -

I/We have authority to bind the Corporation

LOCATION³ LIMITED

_____
Name - Robert E. Rye
Position - Secretary

I/We have authority to bind the Corporation

SCHEDULE "A"

DESCRIPTION OF LANDS

55 York Street, Toronto

All that certain parcel of land situate, lying and being in the City of Toronto and Province of Ontario and being composed of parts of Lot numbers three (3) and four (4) and five (5) on the east side of York Street as shown on a plan now filed in the Registry Division of the Toronto Land Registry Office as Plan No. 52, and part of the street fifty feet (50') in width, lying on the south of the said Lot five (5) as shown on the said plan, which may be more particularly described as follows:

COMMENCING at a point in the easterly limit of York Street where it is intersected by the northerly limit of Piper Street as established by By-law No. 3925 of the City of Toronto;

THENCE NORTHERLY along the easterly limit of York Street eighty-one feet three inches (81 '3") more or less, to the production westerly of the southerly face of the southerly wall of the brick building standing in December, 1929, upon the westerly part of the said Lot three (3) said point being distant one foot three and one-half inches (1'3-$^{1}/_{2}$") more or less, measured northerly from the southerly limit of the said lot three (3);

THENCE EASTERLY along the said southerly face of wall to and along the southerly face of the southerly wall of the easterly part of the said building and continuing thence easterly along the southerly face of the brick buildings immediately adjoining the said brick building on the east one hundred and twenty-six feet one inch (126' 1") more or less, to the northerly production of the westerly face of the westerly wall of the old three storey brick building standing in February, 1928, upon the rear part of the said lots four (4) and five (5);

THENCE SOUTHERLY along the said production and the westerly race of the last mentioned wall and its production southerly eighty-three feet six inches (83'6") more or less, to the said northerly limit of Piper Street;

THENCE WESTERLY along the said northerly limit of Piper Street one hundred and twenty-six feet four and three-quarter inches (126'4-$^{3}/_{4}$") more or less to the point of commencement.

The east side of York Street is confirmed by Plan BA-681 under the Boundaries Act registered on September 17, 1975 in the Registry Division of the Toronto Land Registry Office as Instrument Number CT140854.

ASSIGNMENT

THIS AGREEMENT made as of and effective from the 10th day of September, 2004.

BETWEEN:

CGI INFORMATION SYSTEMS AND MANAGEMENT CONSULTANTS INC. (the "Assignor")

OF THE FIRST PART,

-and-

LOYALTY MANAGEMENT GROUP CANADA INC.
(the "Assignee")

OF THE SECOND PART,

-and-

LOCATIONS³ LIMITED
(the "Landlord")

OF THE THIRD PART.

WHEREAS the Landlord entered into a lease with 3407276 Canada Inc., operating as Bridgepoint Enterprises, as tenant, ("Enterprises") for office premises comprised of approximately Four Thousand One Hundred and Twenty One (4,121) square feet of rentable area on the third (3 rd) floor of the building located municipally at 55 York Street, Toronto, Ontario, (the "Building"), (the "Original Premises") dated July 20, 1999 (the "Original Lease"), having a lease term often (10) years, (the "Term") commencing on November 1, 1999 and expiring on October 31, 2009;

AND WHEREAS by Certificate of Amendment dated September 15, 1999, the name of Enterprises was changed to Bridgepoint International (Canada) Inc. ("Bridgepoint");

AND WHEREAS the Original Lease was amended by a lease amending agreement dated October 1, 2000, (the "Lease Amending Agreement"), whereby Landlord agreed to lease to Bridgepoint office premises on the fifth (5th) floor of the Building, having a rentable area of approximately Eight Thousand and Sixty Two (8,062) square feet, hereinafter called ("Premises A"), office premises located on the third (3rd) floor of the Building, having a rentable area of approximately Three Thousand Nine Hundred and Forty One (3,941) square feet, hereinafter called ("Premises B"), and storage premises located in the basement of the Building having a rentable area of approximately One Hundred and Four (104) square feet, hereinafter called ("Premises C"), the area of each of Premises A, Premises B, Premises C, and the Original Premises, hereinafter collectively called (the "Leased Premises");

AND WHEREAS by an agreement dated January 15, 2002 made between Bridgepoint, Cognicase Inc. (hereinafter called ("Cognicase"), and the Landlord, the Original Lease was assigned by Bridgepoint to Cognicase (such Original Lease, Lease Amending Agreement, and the foregoing assignment hereinafter collectively called the "Lease");

AND WHEREAS on March 1, 2003 CGI Information System and Management Consultants Inc. amalgamated, inter alia, with Cognicase to continue as CGI Information Systems and Management Consultants Inc.;

AND WHEREAS the Assignor and the Assignee are desirous of entering into this agreement to assign the Lease to the Assignee;

AND WHEREAS the Lease contains a covenant on the part of the Tenant not to assign the Lease or sublet the Leased Premises without the Landlord's consent;

AND WHEREAS the Assignor has agreed to assign the Lease to the Assignee subject to obtaining the Landlord's consent to such assignment;

AND WHEREAS the Assignor has applied to the Landlord for the Landlord's consent to assign the Lease to the Assignee, subject to and upon the terms and conditions herein set out;

The Landlord has agreed to grant its consent to the within assignment as of the 15th day of September, 2004 (the "Effective Date"), subject to the terms and conditions herein set out.

ARTICLE 1
CONSIDERATION

1.1 The consideration for this Agreement are the mutual covenants and agreements and the sum of One Dollar ($1.00) that has been paid by each of the parties to each of the others, the receipt and sufficiency of which are acknowledged.

ARTICLE 2
RECITALS

2.1 The parties hereto hereby acknowledge, confirm and agree that the foregoing recitals are true in substance and fact.

ARTICLE 3
ASSIGNMENT

3.1 The Assignor hereby transfers, sets over and assigns unto the Assignee as of and from the Effective Date, the Leased Premises, and all privileges and appurtenances thereto belonging, together with the unexpired residue of the Term, and the Lease and all benefits and advantages to be derived therefrom.

TO HAVE AND TO HOLD the same unto the Assignee, subject to the payment of the Rent as may hereafter become due and payable under the terms of the Lease and the observance and performance of the covenants and conditions of the Tenant contained in the Lease.

For the purpose of this Agreement, "Rent" includes Minimum Rent and Additional Rent.

ARTICLE 4
ASSIGNOR'S COVENANTS

4.1 The Assignor covenants and agrees with the Assignee that:

(a) Despite any act of the Assignor, the Lease is a good, valid and subsisting Lease and the Rent due and payable has been duly paid up to the Effective Date and the covenants and conditions therein contain have been duly observed and performed by the Assignor up to the Effective Date.

(b) Subject to the consent of the Landlord as required pursuant to the Lease, the Assignor has good right, full power and absolute authority to assign the Leased Premises and the Lease in the manner aforesaid, according to the true intent and meaning of this Agreement, free and clear of all liens, mortgages, charges and encumbrances of any kind whatsoever.

(c) Subject to the payment of Rent and to the observance and performance of the terms, covenants and conditions contained in the Lease on the part of the Tenant therein to be observed and performed, the Assignee may enter into and upon and hold and enjoy the Leased Premises for the residue of the Term granted by the Lease for its own use and benefit without any interruption by the Assignor or by any Person whomsoever claiming through or under the Assignor.

(d) The Assignor will from time to time hereafter, at the request and cost of the Assignee, promptly execute such further assurances in respect of the Lease or this (A Agreement or the Leased Premises as the Assignee reasonably requires.

ARTICLE 5
ASSIGNEE'S COVENANTS

5.1 The Assignee covenants with the Assignor that:

(a) It will at all times from the Effective Date and throughout the balance of the Term of the Lease pay the Rent and observe and perform the terms, covenants and conditions contained in the Lease respectively reserved and contained on the part of the Tenant therein to be observed and performed, including, without limitation, the provisions of the Lease relating to the permitted use of the Leased Premises.

(b) It will indemnify and save harmless the Assignor from all actions, suits, costs, claims, losses, charges, demands and expenses for and in respect of any such nonpayment, non-observance or non-performance. This indemnity shall survive the termination of the Lease.

5.2 The Assignee hereby covenants and agrees with the Landlord that:

(a) It will at all times from the Effective Date and throughout the balance of the Term of the Lease pay the Rent reserved by the Lease and all other payments covenanted to be paid by the Tenant therein and at the times and in the manner provided for in the Lease, and will observe and perform all of the terms, covenants and conditions contained in the Lease on the part of the Tenant therein to be observed and performed as and when the same are required to be observed and performed as provided by the Lease, including, without limitation, the provisions of the Lease relating to the permitted use of the Leased Premises.

(b) It will indemnify and save harmless the Landlord from all actions, suits, costs, claims, losses, charges, demands and expenses for and in respect of any such nonpayment or non-observance or non-performance. This indemnity shall survive the termination of the Lease.

5.3. The Assignee covenants and agrees with the Assignor and the Landlord that it will from time to time hereafter, at the request of either the Assignor or the Landlord and at the cost of the requesting party, promptly execute such further assurances in respect of the Lease or this Agreement or the Leased Premises as the Assignor or the Landlord, as the case may be, reasonably requires.

5.4 The Assignee acknowledges that it has received a copy of the executed Lease and is familiar with the terms, covenants and conditions contained therein.

ARTICLE 6
LANDLORD'S CONSENT

6.1 The Landlord consents to this assignment of the Lease from the Assignor to the Assignee as of and from the Effective Date upon and subject to the following terms and conditions, that:

(a) This consent does not in any way derogate from the rights of the Landlord under the Lease nor operate to release the Assignor from its obligation to pay all of the rent from time to time becoming due under the Lease and from the non-observance or non-performance of all of the terms, covenants and conditions in the Lease on the part of the Tenant therein to be observed and performed (and the Landlord's rights and remedies arising as a result of any such non-observance or non-performance) and notwithstanding the within assignment (or any disclaimer of the within assignment), the Assignor shall remain liable during the balance of the Term of the Lease for the observance and performance of all of the terms, covenants and conditions contained in the Lease. Notwithstanding anything to the contrary contained herein and for greater clarity, the Landlord acknowledges and agrees that the Assignor's obligations and liability under the Lease shall expire on October 31,2009 and the Landlord shall look solely to the Assignee thereafter.

(b) The Landlord covenants and agrees that notwithstanding any and all rights and remedies to which it may be entitled at law, in equity or as Landlord under the Lease upon default of the Assignee under the Lease beyond any cure period, the Landlord shall give notice to the Assignor and the Assignor shall have the right to apply for relief from forfeiture and to obtain any reassignment of the Lease provided it cures any such default of the Assignee. Notwithstanding anything to the contrary contained herein and for greater clarity, the Landlord acknowledges and agrees that the Assignor's obligations and liability under the Lease following such reassignment shall expire on October 31, 2009 and the Landlord shall look solely to the Assignee thereafter. In the event the Assignor applies for relief from forfeiture and obtains a reassignment of the Lease as set out herein, the Landlord agrees that the Assignor shall not be obliged to occupy the Leased Premises or to operate a business therefrom, that the Leased Premises may be left vacant and these shall not constitute a default under the Lease notwithstanding the terms of the Lease and the Lease shall be deemed to have been amended accordingly.

(c) This consent does not constitute a waiver of the necessity for consent to any further Transfer of the Lease (which for the purpose of this Agreement means any assignment, subletting, mortgaging or encumbering of the Lease or parting with or sharing possession of all or any part of the Leased Premises) which must be completed in accordance with the terms of the Lease. If the Assignee proposes to effect a further Transfer of the Lease, the terms of the Lease as amended hereby, with respect to a Transfer shall apply to any such further Transfer.

(d) This assignment of the Lease is deemed not to have been delivered to the Assignee by the Assignor until the consent of the Landlord has been evidenced by the execution and delivery of this Agreement by the Landlord to both the Assignor and the Assignee.

(e) As consideration for the deletion from the Lease of Section 19 and Section 20(b) and the extension by five (5) years of the term of the Lease to October 31, 2014, the Assignor shall pay the aggregate sum of $88,682.00 (being $5.50 per square foot of the Rentable Area of the Premises) to the Landlord upon the execution and delivery of this Agreement by all parties hereto.

(f) The Landlord shall have no responsibility or liability for the payment of any real estate leasing fees or commissions in connection with this assignment and the extension of the term of the Lease by five (5) years pursuant thereto in excess of the said sum of $88,682.00 referred to in paragraph (e) above.

(g) On or before the execution and delivery of this Assignment of the Lease by all parties hereto, the Assignor shall pay to the Landlord the sum of $31,632.12 being the outstanding adjustment of Additional Rent in respect of the Premises for 2003 payable to the Landlord pursuant to the Lease.

6.2 The Landlord represents and warrants to the Assignee that the Lease is in good standing including the payment of all Rent and the performance of all covenants by the Assignor as tenant thereunder.

6.3 The Landlord covenants and agrees that, until October 31, 2009 all notices sent to the Assignee shall be simultaneously sent to the Assignor.

6.4 The Landlord acknowledges and agrees that throughout the Term, the Assignee shall have the right to possess the Purchased Assets set out in Appendix A to Schedule A and defined therein, on *the terms and conditions* set out in the Lease.

ARTICLE 7
AMENDMENTS TO LEASE

The parties acknowledge and agree that the Lease is hereby amended as follows:

(a) Subject to Section 6.1, the original term of the Lease which was to expire October 31, 2009 shall be extended and shall now expire October 31, 2014.

(b) Schedule D of the Lease shall be amended by the addition of the following subsection "(e) the sum of $306,356.00 per annum, payable in advance and without notice in monthly installments of $25,529.67 on November 1, 2009 and on the first day of each calendar month thereafter to and including the 1st day of October, 2011 and the sum of $322,480.00 per annum, payable in advance and without notice in monthly installments of $26,873.33 on November 1, 2011 and on the first day of each calendar month thereafter to and including the first day of October, 2014".

(c) Section 10 of the Lease is amended by the addition of new subsections (f) and (g) which shall read as follows:

"(f) Notwithstanding the other provisions of this Section 10, the Tenant shall be entitled to assign this Lease, sublet the Premises or part with possession of the Premises in whole or in part, or encumber this Lease and the Premises, without the consent of the Landlord, to a parent, subsidiary or affiliate (as defined in the *Business Corporations Act*, (Ontario)) of the Tenant (or to a partnership of which the Tenant is a general partner) or a corporation formed as a result of a merger or amalgamation of the Tenant or any such parent, subsidiary or affiliate, provided that prior written notice thereof is given to the Landlord, and notwithstanding any such assignment, subletting, parting with possession or encumbrance, the Tenant shall not be released and shall remain fully liable for the observance and performance of all of the terms, covenants and conditions of this Lease. As well, the Tenant shall be entitled to encumber its leasehold improvements, trade fixtures, fixtures and/or furniture and equipment (the "Assets") to secure any debt to a financial institution without the consent of the Landlord provided an agreement, reasonably satisfactory to the Landlord is entered into with such financial institution and the Tenant providing, *inter alia*, for the waiver of the Landlord's distress right and the enforcement of such financial institutions security on the Assets.

(g) The Landlord covenants and agrees that its right to cancel the Lease contained in Section 10(b) shall not be applicable where the request by the Tenant for consent to assignment or subletting is in relation to the sale of its business (assets or shares) to the assignee or subtenant."

(d) Section 12(b) of the Lease shall be amended by deleting the second sentence of the first paragraph thereof;

(e) Section 19 of the Lease shall be deleted;

(f) Section 20(b) of the Lease shall be deleted;

(g) Section 23(a) of the Lease shall be amended by the addition of the following sentence:

"The Tenant shall not be deemed to have subordinated this Lease, nor shall it be required to subordinate this Lease unless the Landlord obtains an agreement from any mortgagee of the Building agreeing to leave the Tenant in undisturbed possession of the Leased Premises (provided the Tenant is not in default) should the Landlord default under such mortgage."

(h) Section 23(b) of the Lease shall be amended by deleting the words “use its best efforts to” in the 3rd and 8th lines of this Section 23(b);

(i) Section 25 of the Lease shall be amended by adding the words “or the Tenant” after the word “Landlord” in the 2nd and 13th lines of such section and adding the words “or the Landlord” after the word “Tenant” in the 3rd last line of such Sections and adding at the end of such Section the additional words “provided that in no event shall the Tenant be released of the obligation to pay rent as and when it is due and payable pursuant to the provisions of the Lease”;

(j) Section 7.00 of the Lease contained in Section D shall be deleted and replaced with the following:

“7.00 Option to Extend

So long as:

(a) the Lease has not been previously terminated pursuant to its terms; and

(b) the Tenant is not then in material default under any of its covenants, obligations and agreements under the Lease; and

(c) the Tenant gives to the Landlord written notice of its intention to renew the Lease not more that nine (9) months and not less than six (6) months prior to the expiry date of the “original Term; and

(d) the Tenant, Loyalty Management Group Canada Inc., or an assignee or subtenant described in Section 10(f), is in possession of, and is carrying on business in the whole of, the Premises, and has not otherwise (pursuant to Section 10(f)) sublet all or part of the Premises or assigned the Lease to another person or entity,

the Tenant shall have the right to extend the Lease for two (2) further periods of five (5) years (the “Extended Term(s)”) upon the same terms and conditions as are contained in the Lease, except that there shall be no further right of renewal after the expiration of the second Extended Term and except that the Minimum Rent payable during each Extended Term shall be mutually agreeable between the parties. The Minimum Rent payable during each Extended Term will be based upon the then prevailing rental rate for similar space in a similar area with no accounting for the improvements made therein. If the parties are unable to agree upon the Minimum Rent by not later than forty five (45) days prior to the date on which an Extended Term is to begin, the Minimum Rent shall be the Fair Market Rent determined in accordance with Section 8.00 in Schedule D to the Lease.”

7.2 The Landlord acknowledges that the Assignee proposes to carry out substantial renovations, installations and leasehold improvements in the Premises. The Assignee acknowledges and agrees that all such renovations, installations and leasehold improvements shall be carried out subject to all applicable provisions of the Lease including but not limited to all of the Landlord’s rights of approval and of supervision of the performance of the work, and without limiting the generality of the foregoing, the Landlord shall be entitled to: (i) review and approve all plans, specifications, designs and working drawings; (ii) receive copies of permits; (iii) impose reasonable rules for the delivery of materials, abatement of noise and disposal of refuse in order to minimize any disruption of other tenants and ensure Building cleanliness; (iv) supervise all activity in the Building; (v) recommend and approve trades and sub-trades; and (vi) ensure that all work and materials comply with all applicable building codes and standards. In addition to all other charges recoverable by the Landlord from the Assignee pursuant to the

Lease, the Assignee shall pay to the Landlord as a supervision and administration charge an amount equal to five percent (5%) of all construction and installation costs incurred by the Assignee (excluding consulting fees and the acquisition cost of operating machinery and equipment installed by or for the Assignee) up to a maximum charge of $10,000.00, which charge shall be paid by the Assignee to the Landlord forthwith on demand.

ARTICLE 8
CONDITIONS

8.1 Assignee's Conditions

This Agreement is conditional following execution of this Agreement by all parties hereto until September 14, 2004 on the following:

(a) confirmation by Assignee that Landlord will approve proposed design modifications to the Leased Premises to accommodate Tenant's use and occupancy of the Leased Premises;

(b) for Assignee to obtain approval from its executive committee to the terms and condition of this Agreement;

(c) the Assignor delivering to the Assignee:

(i) the general conveyance of its trade fixtures, equipment and leasehold improvements in the Leased Premises in the form attached as Schedule A; and

(ii) the rental subsidy agreement in the form attached as Schedule B.

The above conditions are for the sole benefit of Assignee and may only be waived by Assignee. In absence of notice to the contrary, provided by Assignee to Assignor and given prior to the expiration of the above-noted time period, these conditions shall be deemed to not have been satisfied or waived by Assignee and this Agreement shall be null and void.

8.2 Assignor's Condition

This Agreement is conditional following execution of this Agreement by all parties until September 14, 2004 on the following:

(a) Assignor obtaining approval from its executive committee to the terms and conditions of this Agreement.

The above condition is for the sole benefit of Assignor and may only be waived by Assignor. In absence of notice to the contrary, provided by Assignor to Assignee and given prior to the expiration of the above-noted time period, this condition shall be deemed to not have been satisfied or waived by Assignor and this Agreement shall be null and void.

ARTICLE 9
CONFIRMATION

9.1 The parties hereto do in all other respects hereby confirm that the Lease is in full force and effect, unchanged and unmodified except in accordance with this Agreement. It is understood and agreed that all terms and expressions when used in this Agreement have the same meaning as they have in the Lease.

9.2 Notwithstanding anything to the contrary contained herein, the parties agree that for the period from the Effective Date and throughout the Term up to October 31, 2009, this Agreement and the Lease cannot be amended, all proposed amendments thereto shall have no force and effect, and no party shall be bound by any proposed amendments, unless in each case such amendments are agreed to in writing by each of the Landlord, the Assignor and the Assignee.

ARTICLE 10
BINDING EFFECT

10.1 This Agreement shall enure to the benefit of the Landlord and its successors and assigns, and shall be binding upon each of the other parties hereto, and each of their permitted successors and permitted assigns, respectively.

ARTICLE 11
EXECUTION

11.1 This Agreement may be executed in any number of counterparts, each of which shall be determined to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original or facsimile form and the parties adopt any signatures received by facsimile as original signatures of the party; provided however, that any party providing it signature in such manner shall promptly forward to the others an original of the signed copy of this Agreement which was so provided by facsimile.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the day and year first above written, by affixing their respective corporate seals under the hands of their proper signing officers duly authorized in that behalf or by setting their respective hands and seals in their personal capacity, as the case may be.

ASSIGNOR:
CGI INFORMATION SYSTEMS AND MANAGWPNT CONSULTANTS INC.

Per: ILLEGIBLE
Name: Michel Garneau
Title: Vice President, Administrative Services

I have authority to bind the Corporation.

ASSIGNEE:
LOYALTY MANAGEMENT GROUP CANADA INC.

Per: ILLEGIBLE
Name: Lori Russell
Title- Senior Vice President, Chief Financial Officer

I have authority to bind the Corporation.

LANDLORD: LOCATIONS[3] LIMIT!

ILLEGIBLE
Name: Denise Steward
Title: A.S.O.

I have authority to bind the Corporation.

SCHEDULE A

THIS GENERAL CONVEYANCE is made this 10th day of September, 2004.

BETWEEN:

CGI INFORMATION SYSTEMS AND MANAGEMENT CONSULTANTS INC.
(the "Vendor")

- and-

LOYALTY MANAGEMENT GROUP CANADA INC.
(the "Purchaser")

WHEREAS the parties hereto are parties to an assignment agreement dated as of the 10th day of September, 2004 (the "Assignment Agreement") whereby the Vendor agreed to assign to the Purchaser the Lease upon the terms and conditions therein set forth therein;

AND WHEREAS the parties have agreed as well that the Vendor would convey to the Purchaser all of its right, title and interest in and to certain assets located in the premises comprised in the Lease as detailed on Appendix A hereto (the "Purchased Assets");

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the closing of the aforementioned transaction of purchase and sale and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby agree as follows:

1. The Vendor hereby transfers, sells, assigns, grants and conveys to the Purchaser all of the Vendor's right, title and interest in and to the Purchased Assets on "as is, where is" basis, *free and clear of any and all mortgages, charges, pledges, liens, security interests, claims, demands or other encumbrances of any kind whatsoever.*
2. The Vendor makes no claim as to the condition or fitness for operation of any of the Purchased Assets and shall bear no responsibility for repairing and/or replacing same from and after the date of this conveyance agreement. The Purchaser covenants that it has inspected the Purchased Assets and agrees to take same on the "as is, where is" basis set out above.
3. The Vendor covenants and agrees that from time to time after the Effective Date (as defined in the Assignment Agreement) it shall, at the request and expense of the Purchaser, execute and deliver or cause to be executed and delivered to the Purchaser such additional conveyances, transfers and other assurances as, in the reasonable opinion of the solicitor of the Purchaser, may be required to effectually carry out the intent of this Agreement and the transfer of the Vendor's right, title and interest in and to the Purchased Assets.
4. The Vendor hereby declares that as to any of the Purchased Assets intended to be transferred, assigned, bargained, sold and set over to the Purchaser hereby or any right, title or interest in the Purchased Assets which may not have passed to the Purchaser by virtue of these presents or any transfers which may from time to time be executed and delivered in pursuance of the covenants aforesaid, the Vendor holds same in trust for the Purchaser to assign and transfer same as the Purchaser may from time to time direct.
5. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.
6. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

7. This Agreement may be executed in any number of counterparts, each of which shall be determined to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original or facsimile form and the parties adopt any signatures received by facsimile as original signatures of the party; provided however, that any party providing it signature in such manner shall promptly forward to the others an original of the signed copy of this Agreement which was so provided by facsimile.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date and time set forth above.

VENDOR:
CGI INFORMATION SYSTEMS AND MANAGEMENT CONSULTANTS INC.

Per: _____
Name: Michel Garneau
Title: Vice President, Administrative Services

I have authority to bind the Corporation.

PURCHASER:
LOYALTY MANAGEMENT GROUP CANADA INC.

Per: Lori Russell
Name: Lori Russell
Title: Senior Vice President, Chief Financial Officer

I have authority to bind the Corporation.

APPENDIX A TO
GENERAL CONVEYANCE

PURCHASED ASSETS

Raise Floor Area:	Approximately 10,500 sq. ft., 1 foot high, 2’ x 2’ tiles. Under floor cable trays and AC distribution.
Security Systems:	In premises there is a Chubb AC Technical System with C-Cure software and video recorders. Building and elevators are also on a card reader access system. Man trap access through 3rd floor.
Fire Suppression System:	Viking-double interlock dry pipe pre-action system on 3rd and 5th floors.
Water Detection System:	Under all AC units
Smoke Detection System:	Thermoflex MK2 in all areas. Note: Ceiling only, not under floor
Air Conditioning Systems:	12 glycol AC units are installed on the floor to support the data centre. There are 10 x 12 Ton and 2 x 20 Ton Airflow FFX series with a capacity of 19 KW (4x Blanchard Ness 4.5 KW). These are maintained by NorTech mechanical. The glycol pump is located on the 5th floor and 4 Blanchard Ness condensers are located on the rooftop (120 ton capacity).
Diesel Generator:	One 800 KVA Catapiller 3412 C generator (1999) is located on the roof of the building.
Fuel:	5,000 litre tanks are located in the basement storage area with an additional 1,325 litre tank on the roof tank.
UPS:	There are two (2) automatic transfer switches (2 ASCO 7000S). There are two (2) manual and static by pass. Batteries consist of two (2) redundant strings of 4 x 40 KVA Silicon DP 300E that are sealed, non-spillable and maintenance and lead free. The voltage is 115/200 3ph; 120/208 3ph; 127/220 3ph. In addition there is a 16 KVA UPS.

Floor	Unit Type	‘ Make*’”*	,V!ft Model’ “*	Serial Number	Size	Manufactured
Third	UPS	APC	—	?	16KVA	
—	UPS	APC	SL40KGB2	EE0039001 236	40 KVA	Nov-00
—	UPS	APC	SL40KGB2	EE0040001 818	40KVA	Nov-00
—	Bypass Cabinet	APC	4X40R-4/2	0109-0101	—	—
—	Air Conditioner -3.1	Airflow	AFX218G6	P16PD074	12 Ton	Jan-01 Not operational
—	Air Conditioner -3.2	Airflow	AFX218G6	P16PD078	12 Ton	Jan-01
—	Air Conditioner -3.3	Airflow	AFX218G6	—	12 Ton	Jan-01
—	Air Conditioner -3.4	Airflow	AFX218G6	P16PD076	12 Ton	Jan-01
—	Air Conditioner -3.5	Airflow	AFX218G6	P16PD072	12 Ton	Jan-01
—	Air Conditioner -3.6	Airflow	AFX218G6	P16PD079	12 Ton	Jan-01
—	Emergency Splitter	—	—	—	—	From roof
	2 x switchboard and 2x switch gear units		CUTLER HAMMER			
	Auto transfer switch		DISC A		600V / 3PH	
—	Auto transfer switch		DISC B		600V /3PH	
—	Transfer switch			PPDU0301 A	—	
—	Transfer switch			PPDU0301 B		
—	DC Power supply					
	IBM PC					Security Software CCURE
—	PS303		electrical panel		225A	
—	PS302		electrical panel		225A	
—	PS301		electrical panel		225A	
	Transformers				225KVA	
	Transformers				75KVA	
	2 CSU/DSU Tl nest	AT&T				

Fifth	UPS	APC	SL40KG	EE004800 2026	. 40 KVA	Nov-00
	UPS	APC	SL40KG	EE480020 64	40 KVA	Nov-00
	Bypass Cabinet	APC	4X40R-4/2	0106-0103		
	Air Conditioner-5.1	Airflow	AFX218G6	P16PD075	12 Ton	Jan-01
	Air Conditioner-5.2	Airflow	AFX218G6	P16PD073	12 Ton	Jan-01
	Air Conditioner-5.3	Airflow	AFX214G6	P16PF082	12 Ton	Jan-01 Not Serviceable
	Air Conditioner-5.4	Airflow	CCT 20W6-ECWS	P16D003	“ 20 Ton	Dec-00
	Air Conditioner-5.5	Airflow	AFX214G6	P16PF080	12 Ton	Jan-01

Air Conditioner-5.6	Airflow	CCT 20W6-ECWS	P16PD004	20 Ton	Dec-00
Transformer		TV-0502		225 KVA	
Transformer		TV-0501		75KVA 2 pump	
Glycol sub system		PPDU-0501A		1 reservoir	
Switch gear		PPDU0501b			
transformer				225 KVA	
transformer				225 KVA	

SCHEDULE B

THIS AGREEMENT made as of and effective from the 10th day of September, 2004.

BETWEEN:

CGI INFORMATION SYSTEMS AND MANAGEMENT CONSULTANTS INC.
(the "Assignor")

OF THE FIRST PART,

-and-
LOYALTY MANAGEMENT GROUP CANADA INC.
(the "Assignee")

OF THE SECOND PART,

WHEREAS the Landlord entered into a lease with 3407276 Canada Inc., operating as Bridgepoint Enterprises, as tenant, ("Enterprises") for office premises comprised of approximately Four Thousand One Hundred and Twenty One (4,121) square feet of rentable area on the third (3 rd) floor of the building located municipally at 55 York Street, Toronto, Ontario, (the "Building"), (the "Original Premises") dated July 20, 1999 (the "Original Lease"), having a lease term often (10) years, (the "Term") commencing on November 1, 1999 and expiring on October 31,2009;

AND WHEREAS by Certificate of Amendment dated September 15, 1999, the name of Enterprises was changed to Bridgepoint International (Canada) Inc. ("Bridgepoint");

AND WHEREAS the Original Lease was amended by a lease amending agreement dated October 1, 2000, (the "Lease Amending Agreement"), whereby Landlord agreed to lease to Bridgepoint office premises on the fifth (5th) floor of the Building, having a rentable area of approximately Eight Thousand and Sixty Two (8,062) square feet, hereinafter called ("Premises A"), office premises located on the third (3rd) floor of the Building, having a rentable area of approximately Three Thousand Nine Hundred and Forty One (3,941) square feet, hereinafter called ("Premises B"), and storage premises located in the basement of the Building having a rentable area of approximately One Hundred and Four (104) square feet, hereinafter called ("Premises C"), the area of each of Premises A, Premises B, Premises C, and the Original Premises, hereinafter collectively called (the "Leased Premises");

AND WHEREAS by an agreement dated January 15, 2002 made between Bridgepoint, Cognicase Inc. (hereinafter called ("Cognicase"), and the Landlord, the Original Lease was assigned by Bridgepoint to Cognicase (such Original Lease, Lease Amending Agreement, and the foregoing assignment hereinafter collectively called the "Lease");

AND WHEREAS on March 1, 2003 CGI Information Systems and Management Consultants Inc. amalgamated, inter alia, with Cognicase to continue as CGI Information Systems and Management Consultants Inc.;

AND WHEREAS the Assignor has agreed to assign the Lease to the Assignee pursuant to assignment agreement dated September 10,2004;

AND WHEREAS it is understood and agreed that Assignee shall pay to Landlord all Rent reserved in the Lease from and after the Effective Date throughout the balance of the Term, at the times and in the manner provided for in the Lease, (the "Rent"). It is understood and agreed that the rents applicable for the Leased Premises (excluding all storage areas) are as follows:

Original Premises - 4,121 rentable square feet

Date	Rate	Annual Rent
November 1, 2003 to October 31, 2004	$ 15.00 per square foot per annum	$ 61,815.00
November 1, 2004 to October 31, 2009	$ 17.00 per square foot per annum	$ 70,057.00

Premises A - 8,062 rentable square feet

Date	Rate	Annual Rent
November 1,2003 to October 31,2004	$ 17.00 per square foot per annum	$ 137,054.00
November 1,2004 to October 31, 2009	$ 20.00 per square foot per annum	$ 161,240.00

Premises B - 3,941 rentable square feet

Date	Rate	Annual Rent
November 1, 2003 to October 31, 2004	$ 17.00 per square foot per annum	$ 66,997.00
November 1, 2004 to October 31, 2009	$ 20.00 per square foot per annum	$ 78,820.00

Rent Payable for Original Premises, Premises A and Premises B (16,124 square feet) (the “Total Premises”)

Date	Rate	Annual Rent
November 1, 2003 to October 31, 2004	$ 16.48 per square foot per annum	$ 265,866.00
November 1,2004 to October 31, 2009	$ 19.23 per square foot per annum	$ 310,117.00

AND WHEREAS the Assignor has, subject to the terms of this Agreement, agreed to subsidize the rent payable by the Assignee under the Lease as assigned to the Assignee by Assignment Agreement dated the 10th day of September, 2004, including a rent free fixturing period from September 15% 2004 to October 14, 2004.

NOW THEREFORE WITNESSETH and in consideration of the covenants contained herein in the sum of Two Dollars ($2.00) now paid by the Assignee to the Assignor, it is understood and agreed as follows:

1. Provided that the Assignee is not in default under the Assignment Agreement or the Lease, Assignor shall reimburse Assignee from and after the Effective Date and throughout the balance of the Term, with payments in the amount provided for below:

   (a) All annual rent and Additional Rent for the Total Premises for the period September 15, 2004 to October 14, 2004;

   (b) For the Total Premises for the period

	Rate	Annual Rent
Period October 15, 2004 to October 31, 2004	$ 8.48 per square foot per annum	$ 136,731.52
November 1, 2004 to October 31,2009	$ 11.23 per square foot per annum	$ 181,072.52

(the “Rent Subsidy”). Assignor shall pay Assignee the Rent Subsidy by way of equal biannual installments of one-half (1/2) the Rent Subsidy, in arrears, payable, on the fifteenth (15th) day of March and the fifteenth (15th) day of September commencing on the Effective Date, and expiring on the last day of the Term. For clarity, the parties agree that the last day of the Term shall be the last day of the original Term, or October 31, 2009.

2. Notices:

All notices or other documents required or which may be given under this Agreement shall be in writing, duly signed by the party giving such notice and transmitted by prepaid registered or certified mail, telegram or telefax or delivered, addressed as follows:

Assignor: CGI Information Systems and Management Consultants Inc.
1130 Sherbrooke Street West, Fifth Floor Montreal, Quebec H3
A 2M8

Attention: Executive Vice President and Chief Financial Officer

Fax: (514) 841-3299

Assignee: Loyalty Management Group Canada Inc. 4110 Yonge
Street Suite 200 Toronto, Ontario M2P2B7 Attention:
Senior Vice-President, Legal Services

Fax: (416) 733-2876

copy to:

Loyalty Management Group Canada Inc.
c/o Avison Young Commercial Real Estate Ontario Inc.
150 York Street
Suite 900
Toronto, Ontario
M5H 3S5

Attention: Mr. Tim J.A. Hooton
Mr. David A. Warren

Fax: (416)955-0724
Tel: (416)955-0000

Any notice or document so given shall be deemed to have been given at the time of personal delivery. If transmitted by telefax, any notice or document shall be deemed to have been received on the business day received if prior to 5:00 p.m. otherwise on the next business day. Any party may from time to time by notice given as provided above, change its address for the purpose of this paragraph.

3. General:

(a) Time shall be of the essence of this Agreement and each and every party thereof.

(b) This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

(c) This Agreement shall not be assigned by either Assignee or Assignor without the written consent of the other party, such consent may be unreasonably withheld.

(d) This Agreement may be executed in any number of counterparts, each of which shall be determined to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original or facsimile form and the parties adopt any signatures received by facsimile as original signatures of the party; provided however, that any party providing it signature in such manner shall promptly forward to the others an original of the signed copy of this Agreement which was so provided by facsimile.

ASSIGNEE:
LOYALTY MANAGEMENT GROUP CANADA INC,

Name: Lori Russell
Title: Senior Vice President, Chief Financial Officer

I have authority to bind the Corporation.

ASSIGNOR:
CGI INFORMATION SYSTEMS AND MANAGEMENT CONSULTANTS INC.

Name: Michel Garneau
Title: Vice President, Administrative Services

I have authority to bind the Corporation.

NON-DISTURBANCE, SUBORDINATION AND ATTORNMENT AGREEMENT

THIS AGREEMENT made as of the 10th day of September, 2004.

BETWEEN:

LOYALTY MANAGEMENT GROUP CANADA INC.

(herein called the "Tenant")

OF THE FIRST PART –and–

ING BANK N.V.

(herein called the "Mortgagee")

OF THE SECOND PART

WHEREAS by a charge registered in the Land Registry Office for the Registry Division of Toronto (herein called the "Registry Office") on the 30th day of April, 1990, as Instrument No. CA087809 and in the Land Registry Office for the Land Titles Division of Metropolitan Toronto (herein called the "Land Titles Office") on the 1st day of May, 1990, as Instrument No. C-645060 (herein called the "Mortgage") the commercial office building known municipally as 55 York Street, Toronto, Ontario (which building is legally described in Schedule "A" annexed hereto and is herein referred to as the "Building") was mortgaged by Location[3] Limited (herein called the "Landlord") to NMB Postbank Groep N.V. (herein called "NMB"), the Mortgage is collaterally secured by an assignment of leases and rents registered in the Registry Office on the 30th day of April, 1990, as Instrument No. CA087829 and in the Land Titles Office on the 1st day of May, 1990, as Instrument No. C-645061 made by the Landlord in favour of the NMB (herein called the "General Assignment"), and the Mortgage has been amended by an agreement between the Landlord and NMB notice of which was registered in the Registry Office on the 10th day of May, 1991, as Instrument No. CA137866 and in the Land Titles Office on the 10th day of May, 1991 as Instrument No. C-708088;

AND WHEREAS by an Alteration to Articles of Association which was registered in the Registry Office on the 8th day of April, 1993, as Instrument No.' TB893838 and in the Land Titles Office on the 16th day of April, 1993, as Instrument No. C-830932 the name of NMB was changed to Internationale Nederlanden Bank N. V., and by an Alteration of Articles of Association which was registered in the Registry Office on the 16th day of September, 1998, as Instrument No. CA562077 and in the Land Titles Office on the 25th day of September, 1998, as Instrument No. E-200091 the name of Internationale Nederlanden Bank N.V. was changed to ING Bank N.V.;

AND WHEREAS by a lease dated as of the 20th day of July, 1999, (herein called the "Original Lease") made between the Landlord and 3407276 Canada Inc., operating as Bridgepoint Enterprises, (herein called "Enterprises") the Landlord leased to Enterprises office premises on the 3rd floor of the building having a rentable area of approximately 4,121 square feet (herein called the "Original Premises") for a term of 10 years commencing on the 1st day of November, 1999, and expiring on the 31st day of October, 2009;

AND WHEREAS by Certificate of Amendment dated the 15th day of September, 1999, the name of Enterprises was changed to Bridgepoint International (Canada) Inc. (herein called "Bridgepoint");

AND WHEREAS by a lease amending agreement dated as of the 1st day of October, 2000 (herein called the "Amending Agreement") the Landlord leased to Bridgepoint office premises on the 5th floor of the Building having a rentable area Of approximately 8,062 square feet (herein called "Premises A"), office premises on the 3rd floor of the Building having a rentable area of approximately 3,941 square feet (herein called "Premises B"), and storage premises in the basement of the Building having a rentable area of approximately 104 square feet (herein called "Premises C") (the Original Premises, Premises A, Premises B and Premises C are herein collectively called the "Premises");

AND WHEREAS by an assignment dated as of the 15th day of January, 2002, (herein called the "First Assignment") made between Bridgepoint, Cognicase Inc. and the Landlord, the Original Lease as amended by the Amending Agreement was assigned by Bridgepoint to Cognicase Inc.;

AND WHEREAS on the 1st day of March, 2003, CGI Information Systems and Management Consultants Inc. amalgamated with, *inter alia*, Cognicase Inc. and thereafter continued under the name CGI Information Systems and Management Consultants Inc. (herein called "CGI");

AND WHEREAS by an assignment agreement dated as of the 10th day of September, 2004, (herein called the "Second Assignment") made between CGI, the Tenant and the Landlord, the Original Lease as amended by the Amending Agreement was assigned by CGI to the Tenant and was amended (the Original Lease, the Amending Agreement, the First Assignment and the Second Assignment are herein collectively called the "Lease");

AND WHEREAS the parties hereto have agreed for their mutual benefit to enter into this Non-Disturbance, Subordination and Attornment Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the premises, other good and valuable consideration, and the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

1. The Lease and all of the rights of the Tenant under the Lease including but not limited to the possession and occupancy of the Premises by the Tenant pursuant thereto are and shall hereafter remain in all respects subject and subordinate for all purposes to the Mortgage and all extensions, modifications, substitutions, replacements or consolidations thereof to the full extent of all indebtedness secured thereby whether now outstanding or advanced at any time hereafter.

2. So long as the Tenant is not in material default of any of the terms, covenants and conditions contained in the Lease to be complied with, observed and performed by the Tenant beyond any period available to the Tenant under the Lease to cure any such default, the Tenant's rights under the Lease will not be diminished or interfered with by the Mortgagee, the Lease will not be terminated by the Mortgagee and the Tenant will not be deprived by the Mortgagee of its rights thereunder, and the Tenant's possession of the Premises will not be interrupted or disturbed by the Mortgagee during the term of the Lease or any renewals or extensions thereof provided for in the Lease.

3. If the Mortgagee assumes control of the Premises or becomes a mortgagee in possession of the Premises or by reason of foreclosure under the Mortgage or otherwise becomes the owner of the Building or otherwise succeeds to the interest of the Landlord under the Lease, or if the Building is sold upon the exercise of any power of sale or foreclosure or other enforcement proceedings under the Mortgage, then:

(a) The Lease shall continue in full force and effect as a direct lease between the Tenant and the Mortgagee or the purchaser of the Building, as the case may be, upon and subject to all of the terms, covenants and conditions contained in the Lease for the balance of the term and any extensions or renewals thereof that are effected through the exercise by the Tenant of any option therefor contained in the Lease, and the Tenant shall attorn to and recognize the Mortgagee or the purchaser of the Building, as applicable, as the landlord under the Lease, such attornment to be effective and self-operative without the execution of any further or other instruments forthwith upon the Tenant receiving notice from the Mortgagee that the Mortgagee or the purchaser of the Building, as the case may be, has succeeded to the interest of the Landlord under the Lease; and

(b) From and after the Mortgagee or a purchaser of the Building succeeding to the interest of the Landlord under the Lease and the Tenant attorning to the Mortgagee or purchaser, as applicable, the Tenant shall have the same rights and remedies against the Mortgagee or purchaser, as applicable, in respect of any breach of any covenant contained in the Lease that the Tenant might have had against the Landlord if the Mortgagee or purchaser, as applicable, had not succeeded to the interest of the Landlord, except that neither the Mortgagee nor any such purchaser shall be:

(i) liable for any act or omission of any prior landlord (including the Landlord);

(ii) subject to any off-sets or defences which the Tenant might have against any prior landlord (including the Landlord);

(iii) bound by any rent, whether basic, additional or otherwise, which may have been prepaid by the Tenant other than as provided for in the Lease; or

(iv) bound by any amendment or modification of the Lease or by any waiver or forebearance on the part of any prior landlord (including the Landlord) made without the consent of the Mortgagee.

4. The Tenant acknowledges that pursuant to the General Assignment all payments of rent under the Lease are to continue to be made by the Tenant to the Landlord until written notice of default under the Mortgage is given to the Tenant and thereafter requiring payment of rent to the Mortgagee until otherwise instructed by the Mortgagee.

5. (a) This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, and each of the parties hereto shall attorn to the jurisdiction of the courts of Ontario for any proceedings in connection with the provisions of this Agreement.

(b) This Agreement constitutes the entire agreement and understanding between the parties hereto relating to the matters set forth herein and replaces and supercedes all other agreements with respect thereto.

(c) This Agreement shall not be altered, amended, qualified or supplemented except by memorandum in writing signed by each of the parties hereto.

(d) The invalidity of any particular provision of this Agreement shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid provision was omitted.

(e) From time to time hereafter the parties hereto shall at the request and expense of the other execute and deliver such additional documents and other assurances and do and perform such acts and deeds as may be reasonably required to validly and effectually carry out the intent of this Agreement in all respects.

(f) No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision (whether or not similar) nor shall any waiver constitute a continuing waiver unless otherwise expressly stated, and any waiver to be binding shall be in writing and be executed by the party to be bound thereby or the solicitor acting on its behalf.

6. The Mortgagee acknowledges all of the recitals herein and confirms that it consents to all of the amendments to the Lease referenced therein.

7. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day, month and year first above written.

LOYALTY MANAGEMENT GROUP CANADA INC.

Per: _____

Name: Lori Russell
Position: Senior Vice President, Chief Financial Officer

I have authority to bind the Corporation.

ING BANK N.V.
By its attorney

_____

Peter H. Zappulla

SCHEDULE "A

Description of Building
55 York Street

All that certain parcel of land situate, lying and being in the City of Toronto, in the Province of Ontario, and being composed of parts of Lot numbers three (3) and four (4) and five (5) on the east side of York Street as shown on a plan now filed in the Registry Division of the Toronto Land Registry Office as Plan No. 52, and part of the street fifty feet (50') in width, lying on the south of the said Lot five (5) as shown on the said plan, which may be more particularly described as follows:

COMMENCING at a point in the easterly limit of York Street where it is intersected by the northerly limit of Piper Street as established by By-law No. 3925 of the City of Toronto;

THENCE NORTHERLY along the easterly limit of York Street eighty-one feet three inches (81 '3") more or less, to the production westerly of the southerly face of the southerly wall of the brick building standing in December, 1929, upon the westerly part of the said Lot three (3) said point being distant one foot three and one-half inches (1 '3-1/2") more or less, measured northerly from the southerly limit of the said lot three (3);

THENCE EASTERLY along the said southerly face of wall to and along the southerly face of the southerly wall of the easterly part of the said building and continuing thence easterly along the southerly face of the brick buildings immediately adjoining the said brick building on the east one hundred and twenty-six feet one inch (126*1") more or less, to the northerly production of the westerly face of the westerly wall of the old three storey brick building standing in February, 1928, upon the rear part of the said lots four (4) and five (5);

THENCE SOUTHERLY along the said production and the westerly face of the last mentioned wall and its production southerly eighty-three feet six inches (83'6") more or less, to the said northerly limit of Piper Street;

THENCE WESTERLY along the said northerly limit of Piper Street one hundred and twenty-six feet four and three-quarter inches (126 '4-3/4") more or less to the point of commencement.

The east side of York Street is confirmed by Plan BA-681 under the Boundaries Act registered on September 17, 1975 in the Registry Division of the Toronto Land Registry Office as Instrument Number CT140854.

TOGETHER WITH A RIGHT-OF-WAY OVER:

All and singular that part of Town Lot 6 on the south side of Wellington Street West registered in the Registry Division of the Toronto Land Registry Office (No. 66) and that part of Piper Street as stopped up and closed by By-laws 21832 and 290-72 of the Corporation of the City of Toronto (see A-461867 and A-461868 respectively) designated as Part 3 on a plan of survey of record deposited in the Land Titles Division of the Toronto Land Registry Office (No. 66) as 66R-7740, being part of Parcel 1-1 in the Register for Section AD-24 in the said Land Registry Office.

Exhibit 10.22

Execution Copy

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease"), dated as of February 1, 2007, is between DOUBLECLICK INC. ("Landlord"), a Delaware corporation, having an address at 111 Eighth Avenue, New York, New York 10011, and Epsilon Data Management, LLC ('Tenant"'), a Delaware limited liability company, having an office at 17655 Waterview Parkway, Dallas, Texas 75252.

RECITALS

A. Landlord is the owner of the building (the "Building") located on the land (the "Land") known by the address of 12396 Grant Street, Thornton, Colorado (the "Building" and "Land" collectively referred to as the "Real Property").

B. The Building is presently used, in part, by Landlord as a critical data center facility for the operation of its business and that of its various divisions, including, without limitation, its Abacus division ("Abacus Business") which Landlord is, concurrently with this Lease, selling to Tenant.

C. Alliance Data FHC, Inc., an affiliate of Tenant, presently occupies and utilizes approximately 2,500 rentable square feet of space in the Building (the "Existing Space") for the operation of its email business operations (the "Email Business") pursuant to the terms of a certain Transition Services Agreement, dated April 3, 2006, between Landlord and Alliance Data FHC, Inc. (the 'TSA"). The Existing Space is the cross-hatched area on the plan attached hereto as Exhibit A.

D. In connection with its purchase from Landlord of the Abacus Business, Tenant desires to occupy 3,200 rentable square feet for the Abacus Business ("Abacus Space") and utilize approximately 400 rentable square feet of space in the Building for the storage of the tape library used in the Abacus Business (the 'Tape Library Space") and Landlord is willing to lease to Tenant the Tape Library Space.

E. Landlord is willing to lease to Tenant approximately 6,100 rentable square feet in the Building (constituting the Existing Space, Abacus Space and the Tape Library Space (collectively, the "Premises")) for the operation of the Email Business and the Abacus Business in lieu of and in addition to the Existing Space and to terminate the TSA on the terms and conditions contained in this Lease. The Premises (other than the Tape Library Space) are cross-hatched area on the plan annexed hereto as Exhibit B.

ACCORDINGLY, Landlord and Tenant, intending to be legally bound, agree as follows:

1. GRANT OF LEASE: DURATION OF LEASE: TERMINATION OF TSA. (a) Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord the Premises in accordance with the terms of this Lease. Tenant's lease of the Premises shall commence on the date of this Lease (the "Commencement Date"), and the initial term (the "Initial Term") hereof shall expire on the date (the "Expiration Date") that is five (5) years after the Commencement Date, unless this Lease is sooner terminated or extended under Paragraph 29.

(b) Upon any time after the twenty four (24) month anniversary of the execution of this Lease but only during the Initial Term, Tenant shall have the right to terminate all interests and obligations it has under the Lease by providing twelve (12) months notice to Landlord; provided that Tenant shall have the right to terminate all interests and obligations it has under the Lease with respect to the Tape Library Space after the twelve (12) month anniversary of the execution of this Lease by providing six (6) months notice to Landlord and following any such termination the term "Premises" shall not include the Tape Library Space.

(c) Landlord and Alliance Data FHC, Inc. agree that the TSA is terminated as of the Commencement Date and shall thereafter cease to be of any force or effect except for those provisions of the TSA which by their terms survive any termination of the TSA. The foregoing is not intended to and shall not relieve Alliance Data FHC, Inc. from its obligations to pay to Landlord any amounts due under the TSA for services rendered on or prior to the Commencement Date.

2. CONDITION OF PREMISES: WORK; RELOCATION TO PREMISES: ALTERATIONS, (a) The Premises are leased to Tenant "as is" in their present condition and Landlord shall not be required to do any work with respect thereto, except for the Work (as herein defined). Tenant shall have the right to use the current Landlord command center through the Transition Period, as defined hereinafter. Tenant, by taking occupancy of the Premises, shall be deemed conclusively to have agreed that the Premises are in satisfactory condition on the date of such occupancy, subject to Landlord's completion of the Work. "Final Completion" of the Work shall be deemed to have occurred when the construction work in the Premises is substantially completed and the all of the following have occurred: (i) the computer racks are installed, (ii) the Power Distribution Units are installed and power is supplied to the racks, (iii) the main distribution frame racks and cabling are installed; (iv) air conditioning distribution is installed and operational; and (v) the security card reader is installed on the door to the room and it is operational.

(b) As soon as is reasonably practicable following the Commencement Date, Landlord shall cause the Premises (other than the Tape Library Space) and the cubicles (as described in Section 30) to be (i) separated from the space occupied by Landlord, and (ii) constructed in accordance with plans and specifications (the "Plans") prepared by Landlord, provided that the work (the "Work"') described in the Plans shall be in all material respects similar to the existing data center being used by Tenant in the Existing Space. The cost of the Work shall be paid at the rate of $200,000 on the date hereof and from the funds (the "Escrowed Funds") escrowed at the closing of Tenant's purchase of the Abacus Business at Final Completion in accordance with the Purchase Agreement, dated as of December 22, 2006, by and among Landlord, Alliance Data Systems Corporation and Alliance Data FHC, Inc, provided that Landlord shall be responsible for the payment of all direct and indirect costs in excess of the Escrowed Funds required to complete the Work in accordance with the Plans.

(c) Tenant may continue occupying the Existing Space during the period (the "Construction Period") in which Landlord is performing the Work through the 180 day period after Final Completion ('Transition Period"). During the Transition Period, Tenant shall, at Tenant's sole cost, move its equipment from the Existing Premises to the Premises. For each of the first thirty (30) days after the expiration of the Transition Period that Tenant fails to vacate the Existing Premises, through no fault of the Landlord, Fixed Rent (as defined in Paragraph 4 hereof) shall be 125% of the Fixed Rent set forth in Paragraph 4 hereof, and thereafter Fixed Rent shall be 200% of the Fixed Rent set forth in Paragraph 4 hereof until Tenant vacates the Existing Premises.

(d) (i) Tenant shall make no alterations, installations, additions or improvements ("Alterations") in the Premises, without Landlord's prior written consent, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, upon notice to but without obtaining Landlord's consent, Tenant may make Alterations that are merely decorative or cosmetic in nature, such as painting, carpeting and wall coverings, so long as no building permit is required.

(ii) Prior to making any Alterations, Tenant shall, at Tenant's expense, (A) submit to Landlord six (6) sets of blue lines of final, stamped and detailed plans and specifications (including layout, architectural, electrical, mechanical and structural drawings) that comply with all Requirements (as defined in Paragraph 23) for each proposed Alteration, and Tenant shall not commence any such Alteration without first obtaining Landlord's approval of such plans and specifications, (B) at Tenant's expense, obtain all permits, approvals and certificates required by any Government Authorities, and (C) furnish to Landlord duplicate original policies of worker's compensation insurance (covering all persons to be employed by Tenant, and Tenant's contractors and subcontractors, in connection with such Alteration) and commercial general liability insurance (including premises operation, bodily injury, personal injury, death, independent contractors, products and completed operations, broad form contractual liability and broad form property damage coverages) in such form, with such companies, for such periods and in such amounts as Landlord may reasonably approve, naming Landlord and its agents, and any Mortgagee, as additional insureds. Upon completion of such Alteration, Tenant, at Tenant's expense, shall obtain certificates of final approval of such Alterations required by any Government Authority and shall furnish Landlord with copies thereof, together with the "as-built" plans and specifications for such Alterations. All Alterations shall be made and performed in accordance with the plans and specifications therefor as approved by Landlord, all Requirements and the Rules and Regulations. All materials and equipment to be incorporated in the Premises as a result of any Alterations shall be first quality and no such materials or equipment shall be subject to any lien, encumbrance, chattel mortgage, title retention or security agreement.

(iii) Landlord shall respond to Tenant's proposed plans and specifications, and any revisions thereto, within twenty (20) days after submission. If Landlord fails to respond within the required twenty (20) day period, such plans and specifications or revisions, as the case may be, shall be deemed approved, provided that Tenant shall have sent Landlord a request for approval containing the following language: 'THIS IS A REQUEST FOR APPROVAL OR CONSENT. IF LANDLORD DOES NOT RESPOND TO THIS REQUEST WITHIN TWENTY DAYS, LANDLORD'S APPROVAL SHALL BE DEEMED GRANTED PURSUANT TO THE PROVISIONS OF THE LEASE". Landlord reserves the right to disapprove any plans and specifications in part, to reserve approval of items shown thereon pending its review and approval of other plans and specifications, and to condition its approval upon Tenant making revisions to the plans and specifications or supplying additional information. Tenant agrees that any review or approval by Landlord of any plans and/or specifications with respect to any Alteration is solely for Landlord's benefit, and without any representation or warranty whatsoever to Tenant or any other Person with respect to the adequacy, correctness or sufficiency thereof or with respect to Requirements or otherwise.

3. USE OF PREMISES. The Premises may be used by Tenant solely as and for a data center and ancillary office uses and for no other purpose. Tenant shall not use or occupy the Premises at any time in violation of the certificate of occupancy issued for the Building, or for an unlawful purpose, or in an unlawful manner, or in violation of any Requirements. Tenant shall not permit the Premises to be used in any manner or to have anything done, brought, or kept therein that, in Landlord's reasonable judgment, tends to impair the character, reputation, functionality or appearance of the Building.

4. FIXED RENT: LATE PAYMENT, (a) Tenant shall pay to Landlord, at Landlord's offices or at such other place as Landlord may designate from time to time, without notice or demand in advance on the first day of each calendar month during the term of this Lease, by good and sufficient check rent ("Fixed Rent") for the Premises at the following rates:

(i) For the period from the Commencement Date until the day preceding the first anniversary of the Commencement Date at an annual rate of $1,464,000 (or $122,000 per month);

(ii) For the period from the first anniversary of the Commencement Date until the day preceding the second anniversary of the Commencement Date at an annual rate of $1,836,000 (or $153,000 per month) (or $143,000 per month in the event that, and for the periods following such time as, the lease with respect to the Tape Library Space is terminated in accordance with this Lease), full service ("Full Service") in that it shall include all Operating Expenses and Taxes (as defined in Paragraph 23); and

(iii) For the period from the second anniversary of the Commencement Date until the day preceding the third anniversary of the

Commencement Date at an annual rate equal to the Fair Market Annual Rent as determined in accordance with Paragraph 29, provided that (A) in no event shall the new Fixed Rent (including any pass-through to Tenant of its pro rata share of increases in Operating Expenses, Taxes and the Facilities Management Fee) for such period be less than 110% and no more than 120% of the Fixed Rent in effect for the immediately prior Lease Year (provided that if the lease for the Tape Library Space has been terminated as of the beginning of the second anniversary of the Commencement Date, the calculation of the minimum and maximum amounts shall be calculated on the basis that the rent for the Tape Library Space during the immediately prior year was not included in the Fixed Rent for such year). Such Fixed Rent includes up to 120 hours per calendar month of Management Services.

(iv) For each subsequent twelve (12) month period (each, a "Lease Year") during the Term hereof at an annual rate equal to the Fair Market Annual Rent as determined in accordance with Paragraph 29, provided that (A) in no event shall the new Fixed Rent (including any pass-through to Tenant of its pro rata share of increases in Operating Expenses, Taxes, and the Facilities Management Fee) for any Lease Year be less than 100% or more than 120% of the Fixed Rent in effect for the immediately prior Lease Year (provided that if the lease for the Tape Library Space has been terminated as of the beginning of the Lease Year, the calculation of the minimum and maximum amounts shall be calculated on the basis that the rent for the Tape Library Space during the immediately prior Lease Year was not included in the Fixed Rent for such Lease Year). Such Fixed Rent includes up to 120 hours per calendar month of Management Services.

(b) Fixed Rent for the first month of the term shall be payable on execution by Tenant of this Lease. Payments for a partial month shall be prorated on a per diem basis. The provisions of this Paragraph 4 shall survive the expiration or termination of this Lease.

(c) If Tenant fails to pay any Fixed Rent or other charge payable under this Lease for a period longer than ten (10) Business Days after the same shall have become due, Tenant shall pay a late charge equal to six percent (6%) of the amount unpaid. In addition, if such failure continues for ten (10) Business Days after such payment is due, Tenant shall pay interest thereon at the rate (the "Applicable Rate") which is the lesser of (x) three percentage points above the current rate of interest announced from time to time by Citibank, N.A. as its "base rate" (or such other term as may be used by Citibank, N.A., from time to time, for the rate previously referred to as its "base rate") and (y) the maximum rate permitted by applicable law, from the due date thereof until the date that such Fixed Rent or other charge is paid.

(d) Notwithstanding any other provision of this Lease, if Tenant requests Management Services (as defined in clause (ix) of the definition of "Operating Expenses" in Paragraph 23) in excess of 120 hours in any calendar month during any Lease Year, Tenant shall pay to Landlord within thirty (30) days after receipt of an invoice therefor $125 per hour for any additional Management Services so provided.

5. ELECTRICITY, (a) Tenant shall at all times comply with the rules, regulations, terms and conditions applicable to service, equipment, wiring and requirements of Landlord and of the public utility supplying electricity to the Building. Tenant shall not use any electrical equipment that, in Landlord's reasonable judgment, would interfere with electrical service to other tenants or occupants of the Building. Landlord shall not be liable in any way to Tenant for any failure or defect in the supply or character of electric service furnished to the Premises by reason of any requirement, act or omission of the utility serving the Building or for any other reason not attributable to the gross negligence of Landlord.

(b) Tenant agrees that electricity will be supplied by Landlord to the Premises and the cost thereof is included in the Fixed Rent. Accordingly, there shall be no charge to Tenant for such electric energy by way of measuring the same on any meter or otherwise, the cost of such electric energy being included in the Fixed Rent.

6. ASSIGNMENT AND SUBLETTING, (a) This Lease is personal to Tenant and may not be assigned by it to any other person or organization other than to an Affiliate of Tenant. Tenant may not sublease all or any portion of the Premises or permit the Premises to be used or occupied by any other person or organization other than to an Affiliate of Tenant. For purposes of this Lease, "Affiliate of Tenant" means any entity that is owned or controlled by Tenant, Alliance Data Systems Corporation, or any entity that is wholly owned by Alliance Data Systems Corporation.

(b) For purposes of this Paragraph 6, the transfer of a majority of the total issued and outstanding membership interests in Tenant, however accomplished, whether in a single transaction or in a series of related or unrelated transactions, involving Tenant and/or its parent, shall be deemed an assignment of this Lease. Tenant agrees to furnish to Landlord on request at any time such information and assurances as Landlord may reasonably request that Tenant has not violated the provisions of this Paragraph 6.

(c) The provisions of subparagraph (b) above shall not apply to transactions with a corporation or limited liability company into or with which Tenant is merged or consolidated or with a person to which substantially all of Tenant's assets are transferred (provided such merger, consolidation or transfer of assets is for a good business purpose and not principally for the purpose of transferring the leasehold estate created by this Lease, and provided further, that the assignee has a net worth at least equal to or in excess of the net worth of Tenant as of the date of this Lease or as of the date immediately prior to such merger, consolidation or transfer, whichever is greater) or, if Tenant is a general, limited or limited liability partnership, with a successor partnership, nor shall such provisions apply to transactions with an entity that controls or is controlled by Tenant or is under common control with Tenant. Tenant shall notify Landlord before any such transaction is consummated.

(d) The term "control" as used in this Lease (i) in the case of a corporation shall mean ownership of more than fifty (50%) percent of the outstanding

capital stock of that corporation, (ii) in the case of a general or limited liability partnership, shall mean more than fifty (50%) percent of the general partnership or membership interests of the partnership, (iii) in the case of a limited partnership, shall mean more than fifty (50%) percent of the general partnership interests of such limited partnership, and (iv) in the case of a limited liability company, shall mean more than fifty (50%) percent of the membership interests of such limited liability company.

7. INSURANCE. PROPERTY LOSS OR DAMAGE: REIMBURSEMENT.

(a) Neither Landlord nor its agents shall be liable for any damage to property of Tenant or of others entrusted to employees of the Building, nor for the loss of or damage to any property of Tenant by theft or otherwise. Neither Landlord nor Landlord's agents shall be liable for any injury or damage to persons or property, or interruption of Tenant's business, resulting from fire or other casualty; nor shall Landlord or Landlord's agents be liable for any such damage caused by other tenants or persons in the Building or caused by construction of any private, public or quasi-public work; nor shall Landlord be liable for any latent defect in the Premises or in the Building. Notwithstanding the foregoing, Landlord shall be liable to Tenant for any damage caused by the gross negligence or intentional misconduct of Landlord or its agents to the extent that Tenant's insurance does not fully reimburse Tenant for such damage.

(b) (i) Tenant shall, at Tenant's own cost and expense, obtain, maintain and keep in full force and effect during the term of this Lease, commercial general liability insurance (including premises operation, bodily injury, personal injury, death, independent contractors, products and completed operations, broad form contractual liability and broad form property damage coverage) in a combined single limit amount of not less than One Million and 00/100 ($1,000,000.00) Dollars per occurrence and $2,000,000 in the aggregate, against all claims, demands or actions with respect to damage, injury or death made by or on behalf of any person or entity, arising from or relating to the conduct and operation of Tenant's business in, on or about the Premises, or arising from or related to any act or omission of Tenant. Such policies shall contain a general endorsement adding Landlord as an additional insured. Tenant, at Tenant's sole cost and expense, shall maintain insurance protecting and indemnifying Tenant against any and all damage to or loss of any Alterations and leasehold improvements made by Tenant, and Tenant's Property (as defined in Paragraph 23). and all claims and liabilities relating thereto.

(ii) All said policies of insurance shall be: (x) written as "occurrence" policies; (y) written as primary policy coverage and not contributing with or in excess of any coverage which Landlord or any ground lessor may carry; and (z) issued by insurance companies rated "A-" "VIII" or better by A. M. Best that are licensed to do business in the State of Colorado. Tenant shall, not later than ten (10) Business Days prior to the Commencement Date, deliver to Landlord documentation confirming the existence of the above referenced policies of insurance or certificates thereof and shall thereafter furnish to Landlord, as soon as reasonably practicable, prior to the expiration of any such policies and any renewal thereof, a new policy or certificate in lieu thereof.

(c) Landlord shall maintain or cause to be maintained throughout the Term "all risk" insurance covering all risks of physical loss or damage to the Building for the full insurable value of the improvements thereon. Such insurance shall be broad form and shall include, but shall not be limited to, coverage for fire, extended coverage, vandalism and malicious mischief. "Full insurable value," as used herein, means the actual cost of replacing the Building and the improvements therein. Landlord shall not be required to maintain or cause to be maintained any insurance with respect to Tenant's personal property.

(d) The proceeds of any insurance from any policy maintained by Landlord in accordance with subsection (c) above shall be adjusted by and paid solely to Landlord. Landlord shall use such proceeds to pay for the cost of the work required to be performed by Landlord under this Lease and the cost of making temporary repairs and doing such work as may be necessary to protect the Building against further injury. If the proceeds of such insurance payable to Landlord shall exceed such cost, such excess shall belong to Landlord.

8. REPAIRS AND MAINTENANCE. Tenant, at its sole cost and expense, shall take good care of the Premises and the fixtures and appurtenances therein and make all repairs thereto as and when needed to preserve them in good working order and condition, except that Landlord shall, at its sole cost and expense, make all necessary repairs to all Building Systems (as defined in Paragraph 23 hereof) serving and structural elements located in the Premises. Landlord promptly shall, subject to Paragraph 20 hereof, repair, or replace, at Tenant's sole cost and expense, to Landlord's reasonable satisfaction all portions of the Premises, the Building, or the fixtures, appurtenances or equipment of either, that are damaged or injured due to carelessness, omission, neglect or improper conduct on the part of Tenant or Persons Within Tenant's Control (as defined in Paragraph 21). All such repairs, restorations and replacements shall be in quality and class equal to the original work or installations. In addition, Landlord shall maintain the Building and all common areas in the manner in which Landlord, immediately prior to the Commencement Date, has maintained same for its sole use.

9. RULES AND REGULATIONS. Tenant shall comply with the Rules and Regulations annexed hereto as Exhibit D and with such other and further reasonable rules and regulations and standards as Landlord and Landlord's agents may from time to time adopt, on notice to Tenant to be given as Landlord may elect, provided that such Rules and Regulations may not be amended to include provisions that are in conflict with the terms of this Lease without Tenant's prior consent.

10. SERVICES, (a) So long as Tenant is not in default under the provisions of this Lease beyond any required notice and any applicable cure period, Landlord, at its cost and expense, shall ("collectively, "Building Services"):

(i) Provide passenger elevator service to the Premises, if required, twenty four (24) hours of each day ("Operating Hours") and, subject to Paragraph 10(c), have one passenger elevator on call at all other times.

(ii) Provide one (1) freight elevator serving the Premises, if required, on call on a "first come, first served" basis on Business Days during Operating Hours, and on a reservation, "first come, first served" basis from 6:00 p.m. to 8:00 a.m. on Business Days and at any time on days other than Business Days ("Overtime Periods").

(iii) Maintain and repair the HVAC System (as defined in Paragraph 23), the Building generators (as defined in Paragraph 23), Uninterruptible Power Supply Systems, Halon Systems and other fire suppressant and alarm systems serving the Premises, at Landlord's cost, except for those repairs that are the obligation of Tenant pursuant to Paragraph 8. Landlord shall operate the HVAC System as and when required by law, and for the comfortable occupancy of the Premises and for the protection and proper operation of the data center equipment (as reasonably determined by Landlord) during the term of this Lease, and Tenant shall cooperate fully with Landlord and abide by all of the Rules and Regulations which Landlord may prescribe for the proper functioning of the HVAC System and other equipment. Tenant expressly acknowledges that some or all windows are or may be hermetically sealed and cannot be opened and Landlord makes no representation as to the habitability of the Premises at any time the HVAC System is not in operation. Tenant hereby expressly waives any claims against Landlord arising out of the cessation of operation of the HVAC System and/or other Building Systems or data center systems, or the suitability of the Premises when the same is not in operation, whether due to normal scheduling or the reasons set forth in Paragraph 10(c). Landlord, throughout the term, shall have free access to all mechanical installations of Landlord, including but not limited to air-cooling, fan, ventilating and machine rooms and electrical closets in the Premises, and Tenant shall not construct partitions or other obstructions that may interfere with Landlord's free access thereto, or interfere with the moving of Landlord's equipment to and from the enclosures containing said installations. Neither Tenant nor its agents, employees or contractors shall at any time enter the said enclosures or tamper with, adjust, touch or otherwise in any manner affect such mechanical installations.

(iv) Furnish cold water for lavatory and drinking and office cleaning purposes.

(v) Provide nonexclusive use of restrooms in the Building.

(vi) Provide a security guard or receptionist at the main entrance to the Building during Operating Hours.

(vii) Replace as needed any Building Standard florescent and other light bulbs in and around the Premises.

(viii) Provide Building standard janitorial services in the Premises during Business Days.

(ix) Provide hosting, co-location and connectivity services as more particularly described in Exhibit C annexed hereto, including, without limitation, the use of all data and hosting equipment located within the Premises, local telephone service, high speed internet access, and other services as is consistent with that previously being received by Tenant at the Building with respect to its Email Business.

(b) Landlord reserves the right to stop the furnishing of the Building Services and to stop operating any Building System, when necessary, by reason of accident or emergency, or for alterations in the judgment of Landlord desirable or necessary to be made, until said alterations shall have been completed; and Landlord shall have no responsibility or liability for failure to supply air-conditioning, ventilation, heat, elevator, plumbing, electric or other services during said period or when prevented from so doing by strikes, lockouts, difficulty of obtaining materials, accidents or by any cause beyond Landlord's reasonable control, or by Requirements or failure of electricity, water, steam, coal, oil or other suitable fuel or power supply, or inability by exercise of reasonable diligence to obtain electricity, water, steam, coal, oil or other suitable fuel or power. No diminution or abatement of Fixed Rent or other compensation shall or will be claimed by Tenant as a result therefrom, nor shall this Lease or any of the obligations of Tenant be affected or reduced by reason of such interruption, curtailment or suspension, nor shall the same constitute an actual or constructive eviction, provided that if the Premises are uninhabitable, as defined for use a data center, as a result therefrom for more than ten (10) consecutive days, Fixed Rent shall be abated until the Premises are again habitable.

11. REQUIREMENTS OF LAW, (a) Tenant shall not do, and shall not permit to be done, any act or thing in or upon the Premises or the Building that will violate any Requirements. Tenant shall, at Tenant's sole cost and expense, take all action, including any required alterations necessary to comply with all present and future Requirements, applicable to the operation of its business within the Premises which shall impose any violation, order or duty upon Landlord or Tenant arising from, or in connection with the Premises, Tenant's occupancy, use or manner of use of the Premises, or required by reason of a breach of any of Tenant's covenants or agreements under this Lease. Notwithstanding the preceding sentence, Tenant shall not be obligated to perform any Alterations to the Premises necessary to comply with any Requirements unless compliance shall be required by reason of (i) any cause or condition arising out of any alterations to or installations in the Premises made by or on behalf of Tenant, (ii) Tenant's particular manner of use or occupancy of the Premises (as opposed to mere use as a data center, (iii) any breach of any of Tenant's covenants or agreements under this Lease, or (iv) any wrongful act or omission by Tenant. Landlord will, at its sole cost and expense, comply with all other requirements applicable to the Building and/or requiring Alterations that are not the obligation of Tenant hereunder.

(b) Tenant shall not bring, keep, use, or maintain any Hazardous Material (as hereinafter defined in this subparagraph) on or about the Premises. If Tenant shall breach the foregoing covenant and such breach shall result in a violation of Requirements or contamination in the Premises or the Building, then Tenant shall

indemnify, defend and hold Landlord and any Mortgagee (as defined in Paragraph 23) and their respective directors, officers, invitees, agent, servants and employees harmless from any and all liabilities arising during or after the term as a result of such violation or contamination. Tenant shall, in accordance with applicable Requirements, either remove such Hazardous Material or encapsulate such Hazardous Material and restore the Premises to its condition prior to the removal of such Hazardous Material. Notwithstanding the foregoing, any work required pursuant to the preceding sentence shall be performed at Landlord's option, either by Tenant, at Tenant's expense, utilizing a contractor designated by Landlord or by Landlord at Tenant's expense. This subparagraph shall not prohibit Tenant from maintaining materials, equipment and supplies, including, without limitation, printer chemicals, cleaning materials and materials used in the operation and maintenance of Tenant's offices as is customary for office tenants provided such items are permitted, used, stored, safeguarded and disposed of as required by applicable Requirements. For purposes of this Lease, "Hazardous Materials" means all materials defined or classified as "hazardous materials," "hazardous waste," "hazardous substance," "toxic substance," "hazardous pollutant," "toxic pollutant" or "oil" pursuant to any relevant federal or state law, including without limitation 42 U.S.C. § 9601 et. seq. (CERCLA), 42, U.S.C. § 6901 et. seq. (RCRA), and any regulations promulgated pursuant to those statutes, all as amended.

12. DEFAULT AND REMEDIES, (a) It shall be a Default under this Lease if Tenant shall:

(i) fail to pay when due Fixed Rent or any other charges payable under this Lease, and such failure shall continue for ten (10) Business Days after Landlord shall have given Tenant written notice thereof, or

(ii) fail to observe or perform any other term, covenant or condition of this Lease on Tenant's part to be observed or performed and Tenant shall fail to remedy the same within thirty (30) days after notice by Landlord to Tenant specifying such failure, provided that if such failure is of such a nature that it cannot with due diligence be completely remedied within thirty (30) days and the continuation of which for the period required for cure will not subject Landlord to the risk of criminal liability or foreclosure of any Mortgage (as defined in Paragraph 23\ if Tenant shall not, (i) within such thirty (30) day period advise Landlord of Tenant's intention duly to institute all steps necessary to remedy such situation, (ii) duly institute within such thirty (30) day period, and thereafter diligently and continuously prosecute to completion all steps necessary to remedy the same, and (iii) complete such remedy within such time after the date of the giving of said notice by Landlord as shall reasonably be necessary, then, in either of the foregoing events, Landlord may (A) give Tenant a notice of intention to terminate this Lease at the expiration of three (3) days from the date of the service of such notice of intention, and upon the expiration of said three (3) days, this Lease shall terminate but Tenant shall remain liable for damages as provided below, or (B) without notice, reenter the Premises, either by summary dispossess proceedings or by any suitable action or proceeding at law or otherwise (excluding force), whether or not Landlord terminates this Lease. In addition, Landlord shall, by reason of Tenant's default hereunder, have all rights and remedies as are available at law or in equity.

(b) If this Lease shall be terminated in accordance with subparagraph (a) above, or if Landlord shall reenter the Premises, Landlord may remove all of Tenant's personal property and discontinue all services to Tenant. In the event of any termination of this Lease or if Landlord shall reenter the Premises under the provisions of this Lease, (i) Tenant shall pay to Landlord all Fixed Rent and all other unpaid additional rent and charges payable up to the time of such termination or reentry (as the case may be), plus all Fixed Rent and additional rent that would have been payable through the scheduled Expiration Date, and (ii) Tenant shall pay to Landlord all expenses, including court costs and attorneys' fees and disbursements, incurred by Landlord in recovering possession of the Premises and all costs and charges for the care of the Premises while vacant. In such event, Landlord also may relet the Premises to a third party, without releasing Tenant from any of its obligations under this Lease, except that Tenant shall receive a credit against such unpaid obligations equal to any fixed rent actually received by Landlord from such third party, after deducting all of Landlord's expenses in connection with the reletting of the Premises or the negotiation, execution and delivery of such third-party lease. The provisions of this subparagraph (b) shall not limit any of Landlord's other rights and remedies hereunder.

13. SECURITY DEPOSIT.

(a) Tenant has deposited with Landlord on the signing of this Lease the Security Deposit in cash or by Letter of Credit (as defined and further described in Paragraph 13(b)). as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this Lease. Tenant agrees that in the event (i) of the occurrence of a default or (ii) Tenant has defaulted in the performance of any of its obligations under this Lease, including the payment of any item of Fixed Rent or other charges, and the transmittal of a notice of default by Landlord is barred by applicable law, Landlord may use or apply the Security Deposit for the payment of any Fixed Rent, or any other sum as to which Tenant is in default, or for any sum that Landlord may expend or may be required to expend by reason of the default (including any damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord). If Landlord applies or retains any portion or all of the proceeds of the Security Deposit, Tenant shall forthwith restore the amount so applied or retained by delivering cash or an additional or new Letter of Credit so that, at all times, the amount of the Security Deposit shall be equal to three (3) months of the Fixed Rent then in effect under this Agreement (which is initially $366,000). Within fifteen (15) days of any change in the Fixed Rent, Tenant shall deliver to Landlord either a replacement Letter of Credit or an amendment to the existing Letter of Credit, or additional cash, as applicable, to reflect the appropriate amount of the security required hereunder.). Provided there is no uncured default, any balance of the proceeds of the Security Deposit held by Landlord and not used, applied or retained by Landlord as above provided, and any remaining Letter of Credit, shall be returned to Tenant promptly after the Expiration Date and after delivery of possession of the entire Premises to Landlord in accordance with the terms of this Lease.

(b) If Tenant elects to deliver the Security Deposit in the form of a letter of credit, such letter of credit (the "Letter of Credit") shall be clean, irrevocable and unconditional and issued and drawn on any commercial bank approved by Landlord with offices for banking purposes in the State of New York (""Issuing Bank"), have a term of not less than one (1) year, be for the account of Landlord, and be in the full amount of the Security Deposit. The Letter of Credit shall:

(i) provide for payment by the Issuing Bank to Landlord or its duly authorized representative an amount up to the face amount of the Letter of Credit on presentation of the Letter of Credit and a sight draft in the amount to be drawn;

(ii) provide for automatic renewal, without amendment, for consecutive periods of one (1) year each during the Term, unless the Issuing Bank sends written notice (the "Non-Renewal Notice") to Landlord by certified or registered mail, return receipt requested, at least thirty (30) days prior to the expiration date of the Letter of Credit, to the effect that it elects not to have such Letter of Credit renewed;

(iii) include an expiration date of not earlier than sixty (60) days after the Expiration Date; and

(iv) be transferable by Landlord as provided in Paragraph 13.

(c) Landlord, after receipt of the Non-Renewal Notice, shall have the right to draw the entire amount of the Letter of Credit and to hold the proceeds as a cash Security Deposit. Landlord shall release such proceeds to Tenant upon delivery to Landlord of a replacement Letter of Credit complying with the terms hereof.

(d) In the event that Landlord transfers or assigns its interest in this Lease, Landlord shall have the right to transfer the Security Deposit, without charge for such transfer, to the purchaser or lessee, and Landlord shall thereupon be released by Tenant from all liability for the return of the Security Deposit. In such event, Tenant agrees to look solely to the new Landlord for the return of the Security Deposit. It is agreed that the provisions hereof shall apply to every transfer or assignment made of the Security Deposit to a new Landlord. Tenant shall execute such documents as may be necessary to accomplish such transfer or assignment of the Letter of Credit.

(e) Tenant covenants that it will not assign or encumber, or attempt to assign or encumber, the Security Deposit held hereunder, and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment, or attempted encumbrance. In the event that any bankruptcy, insolvency, reorganization or other debtor-creditor proceedings shall be instituted by or against Tenant, its successors or assigns, or any guarantor of Tenant hereunder, the security shall be deemed to be applied to the payment of the Fixed Rent and additional rent due Landlord for periods prior to the institution of such proceedings and the balance, if any, may be retained by Landlord in partial satisfaction of Landlord's damages.

14. LANDLORD'S RIGHT TO PERFORM TENANT'S OBLIGATIONS. If Tenant shall default in the observance or performance of any term or covenant on Tenant's part to be observed or performed under or by virtue of any of the terms or provisions of this Lease, (a) Landlord may, but shall not be obligated to, remedy such default for the account of Tenant, immediately and without notice in case of emergency, or in any other case only provided that Tenant shall fail to remedy such default with all reasonable dispatch after Landlord shall have notified Tenant in writing of such default and the applicable grace period for curing such default shall have expired; and (b) if Landlord makes any expenditures or incurs any obligations for the payment of money in connection with such default including, but not limited to, reasonable attorneys' fees in instituting, prosecuting or defending any action or proceeding, such sums paid or obligations incurred shall be paid by Tenant to Landlord with interest thereon at the Applicable Rate upon rendition of a bill to Tenant therefor.

15. ACCESS BY LANDLORD. Landlord or its agents or designees shall have the right to enter the Premises, at all times to examine any Building System or to make any repairs or alterations that Landlord may deem necessary or reasonably desirable and shall also have the right to enter the Premises for the purpose of exhibiting them to prospective tenants, licensees or mortgagees and Landlord will use good faith efforts to minimize any interference with Tenant's business operations and comply with Tenant's reasonable security procedures.

16. SURRENDER OF PREMISES, *(a)* Upon the expiration or other termination of this Lease, Tenant immediately shall quit and surrender the Premises to Landlord, vacant, broom clean and in good order and condition, reasonable wear and tear excepted, Tenant shall remove all of its furniture, furnishings, movable equipment and trade fixtures and Tenant shall remove its Alterations to the extent required pursuant to Paragraph 2. Any property that Tenant shall be required to remove pursuant to the preceding sentence and that it shall fail to remove upon the expiration or termination of this Lease shall be deemed abandoned and shall become the property of Landlord and may be removed and disposed of by Landlord without accountability to Tenant and at Tenant's sole cost and expense. If any damage to the Premises or the Building results from the removal of such property (whether such removal is performed by Landlord or Tenant), Tenant shall repair such damage or, in default thereof, shall reimburse Landlord for the cost of repairing such damage.

(b) If Tenant shall remain in possession of the Premises after the Expiration Date, without the execution by both Tenant and Landlord of a new lease for occupancy of the Premises, Tenant, at the election of Landlord, shall be deemed to be occupying the Premises as a tenant from month-to-month, at a monthly rental equal to two (2) times the then Fixed Rent, subject to all the other conditions, provisions and obligations of this Lease insofar as the same are applicable to a month-to-month tenancy. In addition, if the Premises are not surrendered upon the expiration or other termination of this Lease, Tenant hereby indemnifies Landlord against liability or expense (including any consequential damages) resulting from delay by Tenant in so surrendering the Premises.

(c) Tenant's obligations under this Paragraph 16 shall survive the expiration or termination of this Lease.

17. LEGAL PROCEEDINGS: WAIVER OF JURY TRIAL. Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either against the other or any matters arising out of or in connection with this Lease or Tenant's use or occupancy of the Premises. Tenant shall not assert and hereby waives the right to assert any counterclaim of any nature in any summary proceeding or other proceeding to recover possession of the Premises. Tenant shall reimburse Landlord, on demand, for any costs and expenses (including attorneys' fees and disbursements and attorneys' fees and disbursements incurred in connection with the enforcement of this provision and in collecting amounts payable hereunder) incurred in connection with enforcing Tenant's obligations under this Lease. The provisions of this Paragraph 17 shall survive the expiration or termination of this Lease.

18. SUBORDINATION; ESTOPPEL CERTIFICATE, (a) The rights granted under this Lease to Tenant are subject and subordinate to any present or future Mortgages (and to any consolidation, modification, renewal, replacement or extension, as applicable, of any Mortgage) of all or any part of the Premises or the Building and to all matters to which such Mortgage may be subordinate.

(b) At any time and from time to time within twenty (20) days after notice to Tenant by Landlord or a lessor or mortgagee (which twenty (20) day period is not subject to any notice and cure periods otherwise provided in this Lease), Tenant shall, without charge, execute, acknowledge and deliver a statement in writing addressed to such party as Landlord, lessor or mortgagee, as the case may be, may designate, in form satisfactory to Landlord, lessor or mortgagee, as the case may be, certifying all or any of the following: (i) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and stating the modifications); (ii) whether the Term has commenced and Fixed Rent and Additional Rent have become payable hereunder and, if so, the dates to which they have been paid; (iii) whether or not, to the best knowledge of the signer of such certificate, Landlord is in default in performance of any of the terms of this Lease and, if so, specifying each such default of which the signer may have knowledge; (iv) whether Tenant has accepted possession of the Premises; (v) whether Tenant has made any claim against Landlord under this Lease and, if so, the nature thereof and the dollar amount, if any, of such claim; (vi) either that Tenant does not know of any default in the performance of any provision of this Lease or specifying the details of any default of which Tenant may have knowledge and stating what action Tenant is taking or proposes to take with respect thereto; (vii) that, to the knowledge of Tenant, there are no proceedings pending or threatened against Tenant before or by any court or administrative agency which, if adversely decided, would materially and adversely affect the financial condition or operations of Tenant or, if any such proceedings are pending or threatened to the knowledge of Tenant, specifying and describing the same; and (viii) such further information with respect to this Lease or the Premises as Landlord may reasonably request or lessor or mortgagee may require; it being intended that any such statement

delivered pursuant hereto may be relied upon by any prospective purchaser of the Real Property or any part thereof or of the interest of Landlord in any part thereof, by any mortgagee or prospective mortgagee, by any lessor or prospective lessor, by any tenant or prospective tenant of the Real Property or any part thereof, or by any prospective assignee of any Mortgage.

(c) In the event of the foreclosure, termination or cancellation of a Mortgage for any reason whatsoever, whether voluntary, involuntary or by operation of law, or re-entry or dispossess by Landlord, prior to the Expiration Date, the holder of such Mortgage may, at its option, take over all of the right, title and interest of Landlord under this Lease, and Tenant shall, at such holder's or lessor's option, attorn to such party for the balance of the Term, on the then executory provisions of this Lease, except that the holder of a Mortgage shall not be (i) liable for any previous act or omission of Landlord under this Lease, or (ii) bound by any previous modification of this Lease made without such party's prior written consent or by any prepayment of more than one month's Fixed Rent or additional rent then due.

19. BILLS AND NOTICES. Any notice, request or demand ("Notice") permitted or required to be given by the terms and provisions of this Lease, or by any law or governmental regulation, either by Landlord or Tenant, shall be in writing and shall be given as follows: (i) by hand delivery; (ii) by deposit in the United States mail as first class certified mail, return receipt requested, postage paid; or (iii) by overnight nationwide commercial courier service; in each case, to the address and party listed below:

If to Landlord to:

DoubleClick Inc. 111 Eighth
Avenue New York, New York
10011 Attention: General
Counsel

With a copy to:
Peter Malloy, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017

If to Tenant:
Epsilon Data Management, LLC
c/o Alliance Data Systems Corporation
17655 Waterview Parkway
Dallas, Texas 75252
Attention: General Counsel
Facsimile: (972) 348-5150
Email: jeanette.fitzgerald@alliancedata.com

Any party may change the address to which any such Notice is to be delivered, by furnishing ten (10) days written Notice of such change to the other parties in accordance with the provisions of this Paragraph 19. Notices shall be deemed to have been given on the date they are actually received; provided, however, that (i) if any Notice is received on a holiday or weekend or after 5:00 p.m. on a business day in the time zone where received, it shall be deemed given on the next succeeding business day, and (ii) the inability to deliver Notices because of a changed address of which no Notice was given, or rejection or refusal to accept any Notice offered for delivery shall be deemed to be receipt of the Notice as of the date of such inability to deliver or rejection or refusal to accept delivery (subject to the provisions of clause (i) above).

20. DESTRUCTION BY FIRE OR OTHER CAUSE, (a) Tenant shall give notice to Landlord, promptly after Tenant learns thereof, of any accident, emergency, occurrence, fire or other casualty (each, a "Casualty") and all damages to or defects in the Premises or the Building. Such notice shall be given by telecopy or personal delivery to the address(es) of Landlord in effect for Notices pursuant to Paragraph 19 of this Lease. If Landlord reasonably determines that the Premises and/or the Building cannot be restored within one hundred eighty (180) days after the date of the Casualty, Landlord shall so notify Tenant, and Landlord or Tenant may terminate this Lease by notice of termination, given to the other party within thirty (30) days after the date of Landlord's determination, this Lease shall expire as of the date of termination stated in said notice with the same effect as if that date were the Expiration Date, and Fixed Rent and additional rent hereunder shall be apportioned as of such date. If neither party so terminates this Lease, Landlord shall proceed with reasonable diligence, after receipt of the net proceeds of insurance, to repair or cause to be repaired such damage at its expense. If this Lease is not terminated as set forth in this subparagraph and the damaged portion of the Premises shall be rendered unuseable for its intended purposes as same was utilized prior to such damage and such damage shall not be due to the fault of Tenant or Persons Within Tenant's Control, then Fixed Rent and additional rent, or an amount thereof apportioned according to the area of the Premises so rendered untenantable (if less than the entire Premises shall be so rendered untenantable) or by the diminished business usefulness, if a more appropriate measure, shall be abated for the period from the date of such damage to the date when the repair of such damage shall have been substantially completed. Landlord shall not be liable for any delay which may arise by reason of adjustment of insurance on the part of Landlord and/or Tenant, or any cause beyond the control of Landlord or contractors employed by Landlord.

(b) Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from damage from fire or other casualty or the repair thereof. Tenant understands that Landlord will not carry insurance of any kind on Tenant's furnishings, furniture, contents, fixtures, space equipment and leasehold improvements, and that Landlord shall not be obligated to repair any damage thereto or replace the same.

(c) This Lease shall be considered an express agreement governing any case of damage to or destruction of the Building or any part thereof by fire or other casualty, and any law providing for a contingency in the absence of express agreement shall have no application in such case.

21. INDEMNITY, (a) Except to the extent of insurance proceeds received by the Indemnitees (as defined in Paragraph 23). Tenant shall indemnify and save harmless the Indemnitees from and against (i) all claims of whatever nature against the Indemnitees arising from any act, omission or negligence of Tenant or its principals, officers, agents, contractors, servants, employees, licensees and invitees (collectively, "Persons Within Tenant's Control"), (ii) all claims against the Indemnitees arising from any accident, injury or damage whatsoever caused to any person or to the property of any person and occurring in or about the Premises during the Term or during Tenant's occupancy of the Premises, unless and to the extent caused by the act, omission, or negligence of Landlord or its principals, officers or employees, (iii) all claims against the Indemnitees arising from any accident, injury or damage occurring outside of the Premises but anywhere within or about the Building, where such accident, injury or damage results or is claimed to have resulted from an act, omission or negligence of Tenant or Persons Within Tenant's Control, and (iv) any breach, violation or non performance of any covenant, condition or agreement contained in this Lease to be fulfilled, kept, observed or performed by Tenant. This indemnity and hold harmless agreement shall include indemnity from and against any and all liability, fines, suits, demands, costs and expenses of any kind or nature (including, without limitation, attorneys' fees and disbursements) incurred in or in connection with any such claim or proceeding brought thereon, and the defense thereof, and all collection costs (including, without limitation, attorneys' fees and disbursements) incurred by Landlord in enforcing this indemnity provision against Tenant.

(b) If any claim, action or proceeding is made or brought against any Indemnitee, against which claim, action or proceeding Tenant is obligated to indemnify such Indemnitee pursuant to the terms of this Lease, then, upon demand by the Indemnitee, Tenant, at its sole cost and expense, shall resist or defend such claim, action or proceeding in the Indemnitee's name, if necessary, by such attorneys as the Indemnitee may select, including, without limitation, attorneys for the Indemnitee's insurer. The provisions of this Paragraph 21 shall survive the expiration or earlier termination of this Lease.

22. MISCELLANEOUS.

(a) This Lease shall be governed by the laws of the State of Colorado, without regard to conflict of laws principles.

(b) This Lease may not be amended orally.

(c) Each agreement or obligation to be performed by Tenant or Landlord under this Lease shall be deemed and construed as a separate and independent covenant of Tenant or Landlord, not dependent on any other provision of this Lease.

(d) This Lease and the annexed Exhibits set forth the entire agreement between Landlord and Tenant with respect to the lease of the Premises and the Building and the services to be provided to Tenant by Landlord as described herein, and there are no other representations, agreements or matter, either oral or written, between Landlord and Tenant with respect to the subject matter of this Lease.

(e) All amounts, other than Fixed Rent, payable to Landlord pursuant to the terms of this Lease, shall be deemed "additional rent" and Landlord shall have the same remedies for the default in payment thereof which Landlord has for default in the payment of Fixed Rent.

(f) The obligations of Landlord under this Lease shall not be binding on Landlord named herein after the sale, conveyance, assignment or transfer by such Landlord (or upon any subsequent landlord after the sale, conveyance, assignment or transfer by such subsequent landlord) of its interest in the Building or the Land, as the case may be, and in the event of any such sale, conveyance, assignment or transfer, Landlord shall be and hereby is entirely freed and relieved of all covenants and obligations of Landlord under this Lease thereafter arising, and the transferee shall be deemed to have assumed, subject to the remaining provisions of this subparagraph (f), all obligations of Landlord under this Lease arising after the effective date of the transfer. No trustee, partner, shareholder, director or officer of Landlord, or of any partner or shareholder of Landlord (collectively, the "Parties") shall have any direct or personal liability for the performance of Landlord's obligations under this Lease, and Tenant shall look solely to Landlord's interest in the Building and the Land to enforce Landlord's obligations hereunder and shall not otherwise seek any damages against Landlord personally or any of the Parties whatsoever. Tenant shall not look to any other property or assets of Landlord or any property or assets of any of the Parties in seeking either to enforce Landlord's obligations under this Lease or to satisfy a judgment for Landlord's failure to perform such obligations.

(g) Landlord represents and warrants to Tenant that Landlord has not dealt with any broker or Person in connection with this Lease. Tenant represents and warrants to Landlord that Tenant has not dealt with any broker or Person in connection with this Lease. The execution and delivery of this Lease by Tenant shall be conclusive evidence that Tenant acknowledges that Landlord has relied upon the foregoing representation and warranty. Each party to this Lease shall indemnify and hold harmless the other party from and against any and all claims for commission, fee or other compensation by any Person who claims to have dealt with the party breaching its representation and warranty hereunder in connection with this Lease and for any and all costs incurred by the non-breaching party in connection with such claims, including, without limitation, attorneys' fees and disbursements. This provision shall survive the expiration or earlier termination of this Lease.

(h) When in this Lease Landlord's consent or approval is required and this Lease provides that Landlord's consent or approval shall not be unreasonably withheld and Landlord shall refuse such consent or approval, or in any instance in which Landlord shall delay its consent or approval, Tenant in no event shall be entitled to make, nor shall Tenant make, any claim, and Tenant hereby waives any claim, for money damages (nor shall Tenant claim any money damages by way of set-off, counterclaim or defense) based upon any claim or assertion by Tenant that Landlord unreasonably withheld or unreasonably delayed its consent or approval. Tenant's sole remedy shall be an action or proceeding to enforce any such provision, for specific performance, injunction or declaratory judgment.

23. CERTAIN DEFINITIONS. The following definitions shall have the meanings indicated below:

"Base Operating Factor" shall mean the Operating Expenses for the period covered by the third Lease Year.

"Base Tax Factor" shall mean the Taxes payable during the third Lease Year.

"Building System(s)" means the base building mechanical, electrical, sanitary, heating, air conditioning, ventilating, elevator, plumbing, life-safety and other service systems of the Building, but shall not include installations made by Tenant or fixtures or appliances.

"Business Days" means all days, excluding Saturdays, Sundays and all days observed as holidays by the State of Colorado, the federal government or the labor unions, if any, servicing the Building.

"Escalation Year" shall mean each Lease Year following the third Lease Year.

"Government Authority (Authorities)" means the United States of America, the State of Colorado, the City of Thornton, the County of Adams, any political subdivision thereof and any agency, department, commission, board, bureau or instrumentality of any of the foregoing, now existing or hereafter created, having jurisdiction over the Building and/or the Land, or any portion thereof.

"HVAC" means heat, ventilation and air conditioning.

"HVAC System" means the Building Systems providing HVAC.

"Indemnitees" means Landlord and its shareholders, officers, directors, employees, and agents.

"Landlord's Statement" shall mean an instrument containing a computation of additional rent due pursuant to the provisions of Paragraph 24 famished by Landlord to Tenant.

"Mortgage" means any trust indenture or mortgage which may now or hereafter affect the Real Property or the Building, and all renewals, extensions, supplements, amendments, modifications, consolidations and replacements thereof or thereto, substitutions therefor, and advances made thereunder.

"Mortgagee" means any party secured by a Mortgage.

"Operating Expenses" means all expenses and costs of any kind incurred by Landlord in connection with the ownership, operation, management, maintenance, or repair of the Real Property other than Taxes. Operating Expenses include without limitation, all of the following:

(i) Wages, salaries, fees, and all related expenses (including without limitation, taxes, insurance, and benefits) of all personnel engaged in the operation, management, maintenance or repair of the Real Property.

(ii) Costs of supplies, tools, equipment, and other materials, including replacement parts and equipment, whether purchased, leased, used, or consumed in the operation maintenance or repair of the Real Property.

(iii) Costs of maintenance or service agreements for the Real Property, including without limitation, access control service, window cleaning, traffic control, janitorial service, landscape maintenance, and elevator maintenance.

(iv) Costs of operation, maintenance or repair of interior and exterior common or public areas of the Real Property, including without limitation, sidewalks and landscaping.

(v) Costs of outside legal or accounting services for the Real Property.

(vi) Costs of insurance carried by Landlord relating to the Real Property, including without limitation, fire and casualty insurance (with extended, all-risk, or other coverage), rental loss or business interruption insurance, comprehensive or commercial general liability insurance, and other commercially reasonable insurance carried by Landlord, plus the cost of all deductible payments made by Landlord.

(vii) Assessments, fees, or similar charges for the Real Property's share of the cost of operating and maintaining common areas and facilities of any office or business park in which the Real Property is located.

(viii) Costs of complying with Requirements applicable to the operation, management, maintenance or repair of the Real Property, including without limitation, costs for licenses, permits and inspection fees.

(ix) Salaries, costs and expenses related to the property manager and his team of employees in providing building management services such as electrical work, cabling, shipping/receiving and space planning ("Management Services").

(x) Costs of providing local loop circuits and telco services.

"Requirements" means (i) all present and future laws, rules, ordinances, regulations, statutes, requirements, codes and executive orders, extraordinary as well as ordinary, retroactive and prospective, of all Government Authorities now existing or hereafter created, and of any applicable fire rating bureau, or other body exercising similar functions, affecting the Building or the Land, or any street, avenue or sidewalk comprising a part or in front thereof or any vault in or under the same, or requiring removal of any encroachment, or affecting the maintenance, use or occupancy of the Building, (ii) all requirements, obligations and conditions of all instruments of record on the date of this Lease, and (iii) all requirements, obligations and conditions imposed by the carrier of Landlord's hazard insurance policy for the Building and by all insurance boards.

"Security Deposit" means the amount of security required to be provided by Tenant to Landlord under Paragraph 13 of this Lease.

'Taxes" means the aggregate amount of real estate taxes and any general or special assessments (exclusive of penalties and interest thereon) imposed on the Real Property (including, without limitation, (i) assessments made on or with respect to any "air" and "development" rights now or hereafter appurtenant to or affecting the Real Property, (ii) any fee, tax or charge imposed by any Government Authority for any vaults, vault space or other space within or outside the boundaries of the Real Property, and (iii) any assessments levied after the date of this Lease for public benefits to the Real Property or the Building); provided that if, because of any change in the taxation of real estate, any other tax or assessment, however denominated (including, without limitation, any franchise, income, profit, sales, use, occupancy, gross receipts or rental tax) is imposed on Landlord or the owner of the Real Property or the Building, or the occupancy, rents or income therefrom, in substitution for any of the foregoing Taxes or for an increase in any of the foregoing Taxes, such other tax or assessment shall be deemed part of Taxes computed as if Landlord's sole asset were Landlord's interest in the Real Property. With respect to any Tax Year, all expenses, including attorneys' fees and disbursements and experts' and other witnesses' fees, incurred in contesting the validity or amount of any Taxes or in obtaining a refund of Taxes shall be considered as part of the Taxes for such Tax Year. Anything contained therein to the contrary notwithstanding, Taxes shall not be deemed to include (A) any taxes on Landlord's income, (B) franchise taxes, (C) estate or inheritance taxes, or (D) any similar taxes imposed on Landlord, unless such taxes are levied, assessed or imposed as a substitute for the whole or any part of, or as a substitute for an increase in the taxes, assessments, levies, fees, charges and impositions that now constitute Taxes.

'Tax Year" means each period of twelve (12) months, that includes any part of the term of this Lease, that now or hereinafter is or may be duly adopted as the fiscal year for real estate tax purposes for Thornton, Colorado.

'Tenant's Property" means Tenant's movable fixtures and movable partitions, telephone and other equipment, furniture, furnishings and other movable items of personal property.

'Tenant's Proportionate Share" shall be deemed to mean 26.6% plus 3.9% applicable to space for 24 Cubicles for so long as Tenant leases Cubicle Space under this Lease.

24. TAXES AND OPERATING EXPENSES, (a) Tenant shall pay as additional rent for each Escalation Year an amount ('Tenant's Operating Payment") equal to Tenant's Proportionate Share of the amount by which Operating Expenses for such Escalation Year exceed the Base Operating Factor.

(b) Tenant shall pay as additional rent for each Tax Year, all or any portion of which shall be within the Term, a sum ('Tenant's Tax Payment") equal to Tenant's Proportionate Share of the amount by which the Taxes payable for such Tax Year exceed the Base Tax Factor. Tenant's Tax Payment for each Tax Year shall be due and payable in two equal semiannual installments, in advance, on the first day of each June and December during the Term, based upon the most recent Landlord's Statement. If there shall be any increase or decrease in Taxes for any Tax Year, whether during or after such Tax Year, Landlord shall furnish a revised Landlord's Statement for such Tax Year.

(c) Landlord shall furnish to Tenant, with respect to each Escalation Year, a written statement setting forth Landlord's reasonable estimate of Tenant's Operating Payment for such Escalation Year. Tenant shall pay to Landlord on the first day of each month during such Escalation Year an amount equal to one-twelfth ($^{1}/_{12}$) of such Landlord's estimate of Tenant's Operating Payment for such Escalation Year. If, however, Landlord shall furnish any such estimate for an Escalation Year subsequent to the commencement thereof, then (i) until the first day of the month following the month in which such estimate is furnished to Tenant, Tenant shall pay to Landlord on the first day of each month an amount equal to the monthly sum payable by Tenant to Landlord under this subparagraph in respect of the last month of the preceding Escalation Year, (ii) Tenant shall, within fifteen (15) days after receipt by Tenant of such estimate, pay to Landlord the amount of any underpayment of Tenant's Operating Payment with respect to the then current Escalation Year calculated to the end of the month in which such estimate is furnished, or, in the event of an overpayment, Landlord shall either pay to Tenant, or, at Landlord's election, credit the amount against subsequent payments under this Section the amount of Tenant's overpayment; and (iii) Tenant shall pay to Landlord an amount equal to one-twelfth ($^{1}/_{12}$) of Tenant's Operating Payment shown on such estimate on the first day of the month following the month in which such estimate is furnished to Tenant, and monthly thereafter throughout the remainder of such Escalation

Year unless and until Landlord shall furnish to Tenant a. revised statement of Landlord's reasonable estimate of Tenant's Operating Payment for such Escalation Year, which Landlord may do at any time or from time to time and in such case, Tenant's Operating Payment for such Escalation Year shall be adjusted and paid or refunded, as the case may be, substantially in the same manner as provided in the preceding clause (ii). After the end of each Escalation Year Landlord shall furnish to Tenant Landlord's Statement for such Escalation Year. Each such year end Landlord's Statement shall be accompanied by a computation of operating expenses for the Building from which Landlord shall make the computation of Operating Expenses hereunder. In making computations of operating expenses the certified public accountant may rely on Landlord's estimates and allocations when necessary. If the Landlord's Statement shows that the sums paid by Tenant under subparagraph (a) exceeded Tenant's Operating Payment required to be paid by Tenant for such Escalation Year, Landlord shall either refund to Tenant the amount of such excess or, at Landlord's election, credit the amount of such excess against subsequent payments under this paragraph, and if the Landlord's Statement for such Escalation Year shows that the sums so paid by Tenant were less than Tenant's Operating Payment paid by Tenant for such Escalation Year, Tenant shall pay the amount of such deficiency within fifteen (15) days after receipt by Tenant of such year end Landlord's Statement.

25. PARKING, (a) From and after the Commencement Date, Landlord shall make up to 24 parking spaces or if less, a number of parking spaces equal to the number of cubicles/workstations then being used by Tenant ('Tenant's Parking Spaces") available to Tenant in such areas (the "Parking Areas") of the Real Property as Landlord shall periodically designate for parking. Landlord makes no representations or guarantees whatsoever as to the specific location of Tenant's Parking Spaces. Tenant's Parking Spaces shall be used exclusively for the parking of passenger cars, minivans or SUV's, belonging to or leased to or operated by Tenant, any of Tenant's permitted subtenants, and their respective employees, visitors and invitees, and for no other purpose. Tenant shall not allow any parking of any cars of Tenant or Tenant's permitted subtenants, or their employees, visitors or invitees, outside of the Parking Areas or in parking spaces within the Real Property designated for use by Landlord or other tenants or their respective employees, visitors or invitees. Landlord reserves the right to relocate or alter Tenant's Parking Spaces if, in Landlord's sole judgment, it becomes desirable to do so during the Term. Tenant shall upon request promptly furnish to Landlord the license numbers of the cars operated by Tenant and Tenant's permitted subtenants and their employees and contractors.

(b) All parking spaces used by Tenant, its employees, visitors and invitees shall be used at their own risk, and Landlord shall not be liable for any injury to person or property, or for loss or damage to any automobile or its contents, resulting from theft, collision, vandalism or any other cause whatsoever.

(c) Landlord shall have the right to tow, at Tenant's sole cost and expense, any of Tenant's or Tenant's permitted subtenants', or their employees', visitors' or invitees', cars that are parked outside of Tenant's Parking Spaces to the extent specific spaces are reserved for tenants.

(d) Landlord shall have the right to require that all vehicles parked in Tenant's Parking Spaces shall exhibit such identification as Landlord may from time to time deem reasonably necessary to control the use of the Parking Areas. Landlord shall have the right to tow, at Tenant's sole cost and expense, any of Tenant's or Tenant's permitted subtenants', or their employees', visitors' or invitees' cars not exhibiting such identification if required.

26. FORCE MAJEURE. If, by reason of (i) strike or lockout, (ii) labor troubles, (iii) governmental preemption in connection with a national emergency, (iv) any rule, order or regulation of any governmental agency, (v) conditions of supply or demand which are affected by war or other national, state or municipal emergency, or any other cause, (vi) fire or other casualty, (vii) legal challenges to the validity or issuance of any permits, consents, certificates, licenses or approvals required from any Governmental Authority, (viii) acts of God, or (ix) any other cause beyond Landlord's reasonable control ("Force Majeure Causes"), Landlord shall be unable to fulfill its obligations under this Lease or shall be unable to supply any service which Landlord is obligated to supply, this Lease and Tenant's obligation to pay rent hereunder shall in no wise be affected, impaired or excused.

27. CONDEMNATION. (a) If the whole of the Real Property, the Building or the Premises is acquired or condemned for any public or quasi-public use or purpose, this Lease and the Term shall end as of the date of the vesting of title with the same effect as if said date were the Expiration Date. If only a part of the Real Property and not the entire Premises is so acquired or condemned then, (i) except as hereinafter provided, this Lease and the Term shall continue in effect but, if a part of the Premises is included in the part of the Real Property so acquired or condemned and same diminishes the business usefulness and data center capabilities of the Premises, from and after the date of the vesting of title, the Fixed Rent shall be reduced in the proportion which the area of the part of the Premises so acquired or condemned bears to the total area of the Premises (or by the amount by which the data center's capabilities within the Premises have been diminished, if a better measure) immediately prior to such acquisition or condemnation; (ii) whether or not the Premises are affected thereby, Landlord, at Landlord's option, may give to Tenant, within sixty (60) days next following the date upon which Landlord receives notice of vesting of title, a thirty (30) day notice of termination of this Lease; and (3) if, by reason of such acquisition or condemnation, Tenant no longer has access to the Premises and access will not be available for six (6) or more months, Tenant, at Tenant's option, may give to Landlord, within sixty (60) days next following the date upon which Tenant receives notice of vesting of title, a thirty (30) day notice of termination of this Lease. If any such thirty (30) day notice of termination is given, by Landlord or Tenant, this Lease and the term shall come to an end and expire upon the expiration of said thirty (30) days with the same effect as if the date of expiration of said thirty (30) days were the Expiration Date. If a part of the Premises is so acquired or condemned and this Lease and the term are not terminated, Landlord, at Landlord's cost and expense, shall restore that part of the Premises not so acquired or condemned to a self-contained rental unit, exclusive of Tenant's Alterations and Tenant's Property. In the event of any termination of this Lease and the term, the Fixed Rent shall

be apportioned as of the date of sooner termination and any prepaid portion of the Fixed Rent or escalation rent for any period after such date shall be refunded by Landlord to Tenant.

(b) In the event of any such acquisition or condemnation of all or any part of the Real Property, as between Landlord and Tenant, Landlord shall be entitled to receive the entire award for any such acquisition or condemnation. Tenant shall have no claim against Landlord or the condemning authority for the value of any unexpired portion of the Term and Tenant hereby expressly assigns to Landlord all of its right in and to any such award. Nothing shall be deemed to prevent Tenant from making a separate claim in any condemnation proceedings for the value of any Tenant's Property included in such taking, and for any moving expenses, so long as Landlord's award is not reduced thereby.

28. SHARING OF PREMISES. Tenant acknowledges and agrees that, at present, Tenant and Landlord share portions of the area that is the Existing Premises and share the use of the data center. It is the intention of Landlord and Tenant that, until the Final Completion of the Work, Landlord and Tenant shall continue to share portions of the Existing Premises and data center. During the Construction Period, Landlord and Tenant shall use commercially reasonable good faith efforts to minimize any interference with the personal property, employees and business operations of the other party. The parties hereto shall use good faith efforts to resolve all differences, problems and disagreements regarding the access and equipment as to which they share without intervention. However, if such dispute is not resolved within ten (10) Business Days, the parties may exercise any right or remedy at law or equity, provided that neither party shall be permitted to receive consequential damages with respect to any such or other claim hereunder.

29. EXTENSION OPTIONS.

(a) Provided that (i) Tenant has not assigned this Lease or sublet any or all of the Premises other than to an Affiliate, and (ii) there shall not be outstanding any default under this Lease by Tenant at the time of exercise or at any time thereafter until the beginning of any such extension of the Term of this Lease, Tenant shall have the option (each a "Extension Option"), to extend the Term of this Lease for two (2) additional periods of thirty (30) months each (each a "Extension Period"), by giving written notice to Landlord of the exercise of any such Extension Option at least nine (9) months prior to the expiration of the Initial or then extended Term hereof. The exercise of any Extension Option by Tenant shall be irrevocable and shall cover the entire Premises. Upon such exercise, the Term of this Lease shall automatically be extended for the applicable Extension Period without the execution of any further instrument by the parties; provided that Landlord and Tenant shall, if requested by the other execute and acknowledge an instrument confirming the exercise of the applicable Extension Option. Any Extension Option shall terminate if not exercised precisely in the manner provided herein. Any extension of the Term hereof shall be upon all the Terms and conditions set forth in this Lease and all Exhibits hereto, except that: (i) Tenant shall have no further

option to extend the term of this Lease after the exercise of the second Extension Option hereunder, (ii) Landlord shall not be obligated to contribute funds toward the cost of any remodeling, renovation, alteration or improvement work in the Premises; and (hi) Base Rent for any such Extension Period shall be at the then "Fair Market Annual Rent" (as hereinafter defined) for the Premises for the space and Term involved, which shall be determined as set forth below.

(b) "Fair Market Annual Rent" means the "fair market" Fixed Rent at the time or times in question for the applicable space and services provided hereunder, based on the prevailing rents then being charged to new tenants in the Building and new tenants in other similar facilities of the Building of comparable size, location, quality, equipment, services and age as the Building for leases with terms equal to the Extension Period, taking into account the desirability, location in the Building, size and quality of the space, included services and operating expense pass throughs, if any; provided, however, that the determination of Fair Market Annual Rent shall not take into account tenant improvements allowances, free rent or other allowances or concessions typically offered to attract new tenants to the Building or comparable buildings.

(c) Landlord and Tenant shall endeavor to agree on the Fair Market Annual Rent. If they have been unable to agree on the date that is one hundred eighty (180) days prior to the commencement of the Extension Period, then, within thirty (30) days after the end of such 180-day period, Landlord and Tenant each, at its cost and by giving notice to the other party, shall appoint a competent and disinterested full time appraiser with at least five (5) years' commercial, appraisal and data center rental experience in the State of Colorado to determine the Fair Market Annual Rent. If either Landlord or Tenant does not appoint an appraiser within such thirty (30) day period, the single appraiser appointed shall be the sole appraiser and shall set the Fair Market Annual Rent. If two (2) appraisers are appointed by Landlord and Tenant as stated in this paragraph, they shall meet promptly and attempt to set the Fair Market Annual Rent. If the two (2) appraisers are unable to agree within thirty (30) after the second appraiser has been appointed, they shall select a third appraiser meeting the qualifications stated in this paragraph within ten (10) days thereafter. If they are unable to agree on the third appraiser, either Landlord or Tenant, by giving ten (10) days' notice to the other party, may apply to the then, or to the Presiding Judge of the Superior court of Adams County, for the selection of a third appraiser who meets the qualifications stated in this paragraph. The third appraiser, however, selected, shall be a person who has not previously acted in any capacity for either Landlord or Tenant. Within ten (10) days of the appointment of the third appraiser, the two (2) appraisers selected by the parties each shall submit such appraiser's determination of the Fair Market Annual Rent and, within thirty (30) days thereafter, the third appraiser shall select one of the two submissions of Fair Market Annual Rent, which selection shall be binding on the parties. The party whose appraiser's determination of Fair Market Annual Rent is not selected shall bear the cost of appointing the third appraiser, if any, and of paying the third appraiser's fee.

(d) In the event the Fair Market Annual Rent for any Extension Period has not been determined at such time as Tenant is obligated to pay Fixed Rent for such

Extension Period, then pending such determination, Tenant shall pay Fixed Rent equal to the Fixed Rent payable in respect of the last year of the Term immediately prior to the Extension Period; provided that upon the determination of the applicable Fair Market Annual Rent and the Fixed Rent payable for the Extension Period, Tenant shall promptly pay to Landlord, any deficiency in Fixed Rent theretofore paid, together with interest at the Applicable Rate.

(e) In no event shall the Fixed Rent during the Extension Period be less than the Fixed Rent in effect immediately prior to the Extension Period.

(f) Unless the context otherwise require a different interpretation, the 'Term" of this Lease, as used herein, shall include the Initial Term and any Extension Period with respect to which Tenant exercises an Extension Option.

30. CUBICLE SPACE. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord up to 20 cubicles or workstations. Tenant's lease of the cubicles and workstations shall commence on the date of this Lease and shall expire on the Expiration Date. Tenant may increase (up to 20) or decrease the number of cubicles or workstations from time to time by providing three (3) months notice to Landlord. Tenant shall pay additional rent of $244 per cubicle/workstation per month. For each twelve (12) month period subsequent to the first anniversary of the Commencement Date, the per month per cubicle/workstation rent shall increase by the same proportion by which the Fixed Rent increased relative to the prior year's Fixed Rent (after making any adjustments necessary to eliminate any increase or decrease to the prior year's Fixed Rent resulting from the fact that the Tape Library Space no longer constitutes Premises, if applicable). The provisions of Sections 6, 7, 8, 9, 10, 11, 15,16 and 21 shall apply to the cubicles/workstations to the same extent that such provisions would apply if the cubicles/workstations constituted Premises.

IN WITNESS WHEREOF, the parties have executed this Lease on the day and year first above set forth.

LANDLORD:

DOUBLECLICK INC.

By: Stephanie Abramson
Name:
Title: EVP and General Counsel

TENANT:

EPSILON DATA MANAGEMENT, LLC

By: _____
Name:
Title:

For the purpose of agreeing to the terms of Section 1(c) only:

ALLIANCE DATA FHC, INC.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties have executed this Lease on the day and year first above set forth.

LANDLORD:

DOUBLECLICK INC.

By: _____
Name:
Title:

TENANT:

EPSILON DATA MANAGEMENT, LLC

By: Michael Iaccarino
Name:
Title: CEO and President

For the purpose of agreeing to the terms of Section 1(c) only:

ALLIANCE DATA FHC, INC.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties have executed this Lease on the day and year first above set forth.

LANDLORD:

DOUBLECLICK INC.

By: _____
Name:
Title:

TENANT:

EPSILON DATA MANAGEMENT, LLC

By: _____
Name:
Title:

For the purpose of agreeing to the terms of Section 1(c) only:

ALLIANCE DATA FHC, INC.

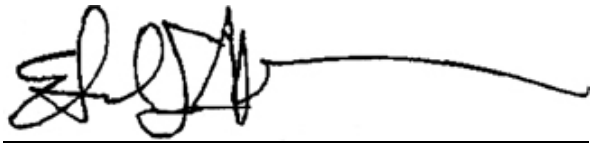
By: 
Name: Edward I. Heffernan
Title: Vice President

EXHIBIT A

Existing Space

1

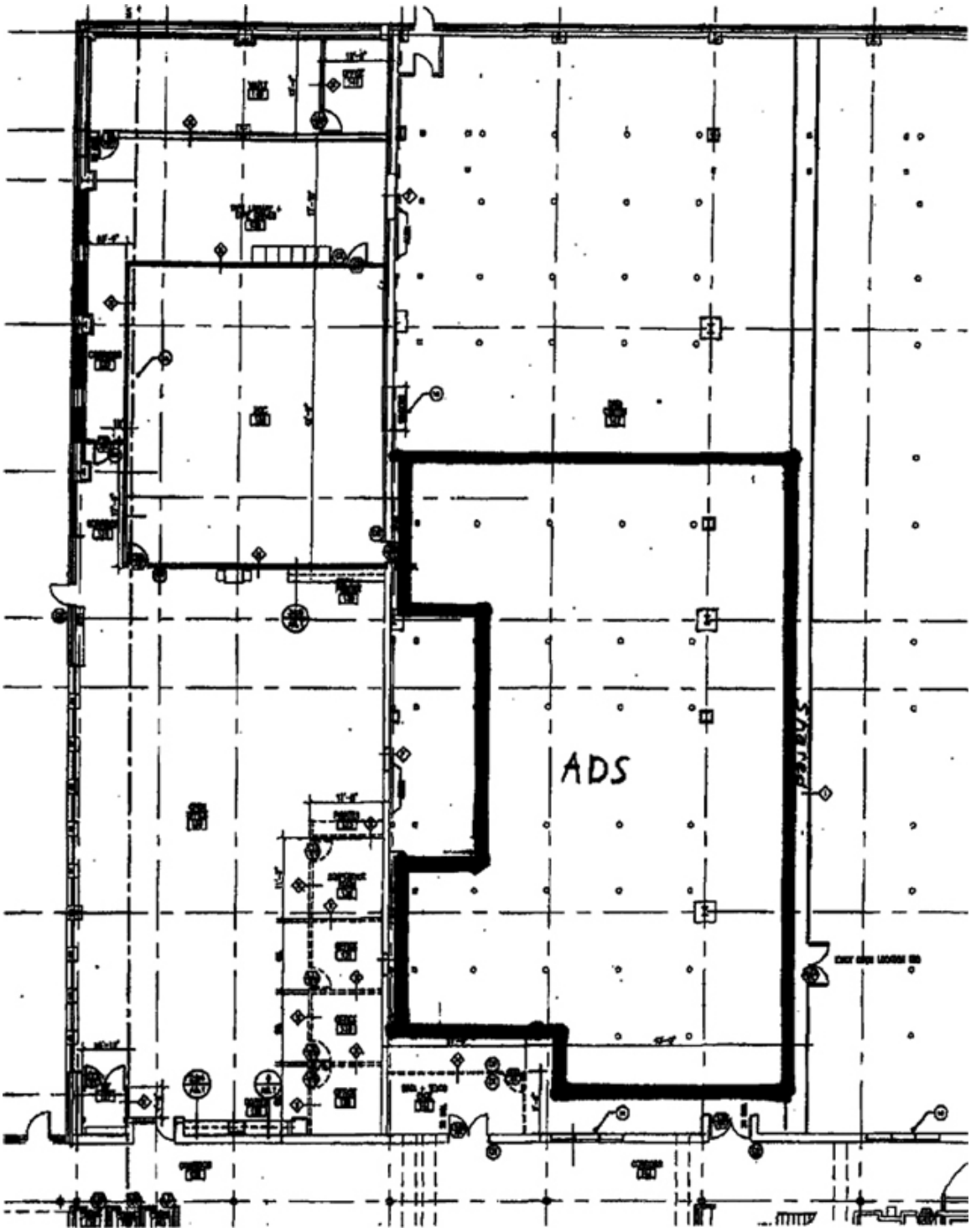
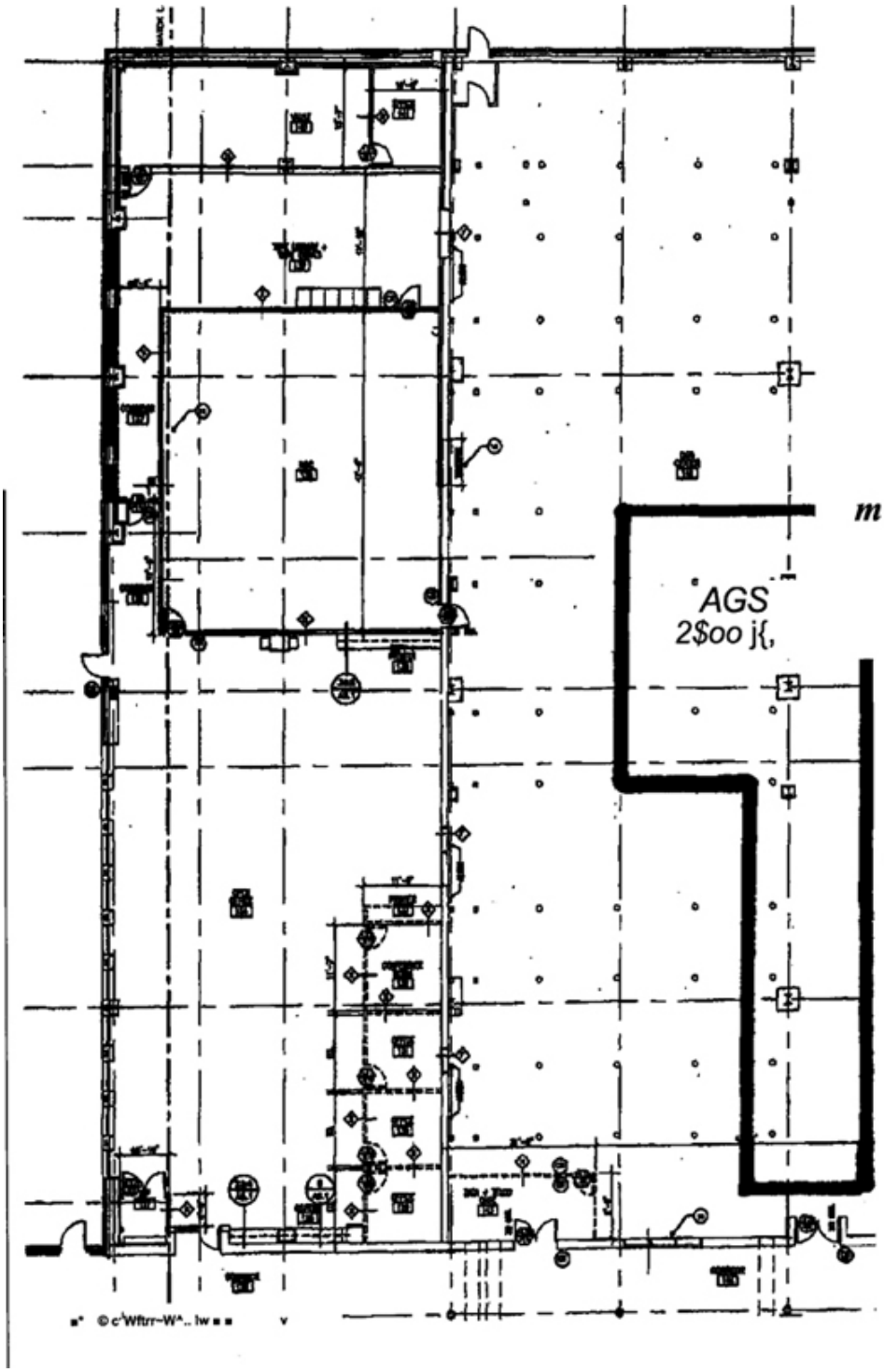

ADS

EXHIBIT B

Premises

1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AGS
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EXHIBIT C

Services

EXHIBIT D

RULES AND REGULATIONS

(1) The rights of tenants in the entrances, corridors, elevators and escalators of the Building are limited to ingress to and egress from the tenant's premises for the tenants and their employees, licensees and invitees, and no tenant shall use, or permit the use of, the entrances, corridors, escalators or elevators for any other purpose. No bicycles, dogs or other animals may be brought into the Building by Tenant, or its employees, licensees or invitees. No tenant shall invite to the tenant's premises, or permit the visit of, persons in such numbers or under such conditions as to interfere with the use and enjoyment of any of the plazas, sidewalks, entrances, corridors, escalators, elevators and other facilities of the Building by other tenants. Fire exits and stairways are for emergency use only, and they shall not be used for any other purposes by Tenant or Persons Within Tenant's Control. No tenant shall encumber or obstruct, or permit the encumbrance or obstruction of, any of the sidewalks, plazas, entrances, corridors, escalators, elevators, fire exits or stairways of the Building. Landlord reserves the right to control and operate the public portions of the Building and the public facilities, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.

(2) The cost of repairing any damage to the public portions of the Building or the public facilities or to any facilities used in common with other tenants, caused by Tenant or any Persons Within Tenant's Control, agent, employee, invitee or licensee, shall be paid by Tenant.

(3) Landlord may refuse admission to the Building outside of ordinary business hours to any person not known to the watchman in charge or not having a pass issued by Landlord or not properly identified, and may require all persons admitted to or leaving the Building outside of ordinary business hours to register. Tenant's employees, agents and visitors shall be permitted to enter and leave the Building whenever appropriate arrangements have been previously made between Landlord and Tenant with respect thereto. Each tenant shall be responsible for all persons for whom he requests such permission and shall be liable to Landlord for all acts of such persons. Any person whose presence in the Building at any time shall, in the judgment of Landlord, be prejudicial to the safety, character, reputation and interests of the Building or its tenants may be denied access to the Building or may be ejected therefrom. In case of invasion, riot, public excitement or other commotion, Landlord may prevent all access to the Building during the continuance of the same, by closing the doors or otherwise, for the safety of the tenants and protection of property in the Building. Landlord may require any person leaving the Building with any package or other object to exhibit a pass from the tenant from whose premises the package or object is being removed, but the establishment and enforcement, or failure to enforce, of such requirements shall not impose any responsibility on Landlord for the protection of any tenant against the removal of property from the premises of the tenant. Landlord shall, in no way, be liable to any tenant for damages or loss arising from the admission, exclusion or ejection of any person to or from the tenant's premises or the Building under the provisions of this rule.

(4) No tenant shall obtain or accept or use in its premises ice, drinking water, food, beverage, towel, barbering, boot blacking, floor polishing, lighting maintenance, cleaning or other similar services from any persons not authorized by Landlord in writing to furnish such services, provided always that the charges for such services by persons authorized by Landlord are not excessive. Such services shall be furnished only at such hours, in such places within the tenant's premises and under such regulations as may be fixed by Landlord.

(5) No awnings or other projections over or around the windows shall be installed by any tenant, and only such window blinds as are supplied or permitted by Landlord shall be used in a tenant's premises.

(6) There shall not be used in any space, or in the public halls of the Building, either by Tenant or by jobbers or others, in the delivery or receipt of merchandise or mail, any hand trucks, except those equipped with rubber tires and side guards.

(7) All entrance doors in each tenant's premises shall be left locked when the tenant's premises are not in use. Entrance doors shall not be left open at any time. All windows in each tenant's premises shall be kept closed at all times, and all blinds or drapes therein above the ground floor shall be lowered or closed when and as reasonably required because of the position of the sun, during the operation of the Building air-conditioning system to cool or ventilate the tenant's premises.

(8) No noise, including the playing of any musical instruments, radio or television, which, in the judgment of Landlord, might disturb other tenants in the Building shall be made or permitted by any tenant, and no cooking shall be done in Tenant's premises, except as expressly approved by Landlord. Nothing shall be done or permitted in any tenant's premises and nothing shall be brought into or kept in any tenant's premises which would impair or interfere with any of the Building Services or the proper and economic heating, cleaning or other servicing of the Building or the premises, or the use or enjoyment by any other tenant of any other premises, nor shall there be installed by any tenant any ventilating, air-conditioning, electrical or other equipment of any kind which, in the judgment of Landlord, might cause any such impairment or interference. No dangerous, flammable, combustible or explosive object or materials shall be brought into the Building by any tenant or with the permission of any tenant.

(9) Tenant shall not permit any cooking or food odors emanating from the tenant's premises to seep into other portions of the Building.

(10) No acids, vapors or other materials shall be discharged or permitted to be discharged into the waste lines, vents or flues of the Building which may damage them. The water and wash closets and other plumbing fixtures in or serving the

tenant’s premises shall not be used for any purpose other than the purpose for which they were designed or constructed, and no sweepings, rubbish, rags, acids or other foreign substances shall be deposited therein. All damages resulting from any misuse of the fixtures shall be borne by Tenant or Persons Within Tenant’s Control who shall have caused the same.

(11) No signs, advertisement, notice or other lettering shall be exhibited, inscribed, painted or affixed by any tenant on any part of the outside or inside of the tenant’s premises or the Building without the prior written consent of Landlord. In the event of the violation of the foregoing by any tenant, Landlord may remove the same without any liability and may charge the expense incurred by such removal to the tenant or tenants violating this rule. Interior signs and lettering on doors and elevators shall be inscribed, painted, or affixed for each tenant by Landlord at the expense of such tenant, and shall be of a size, color and style acceptable to Landlord. Landlord shall have the right to prohibit any advertising by any tenant which impairs the reputation of the Building or its desirability as a building for offices, and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

(12) No additional locks or bolts of any kind shall be placed upon any of the doors or windows in any tenant’s premises, and no lock on any door therein shall be changed or altered in any respect. Duplicate keys for a tenant’s premises and toilet rooms shall be procured only from Landlord, which may make a reasonable charge therefor. Upon the termination of a tenant’s lease, all keys to the tenant’s premises and toilet rooms shall be delivered to Landlord.

(13) Tenant shall not mark, paint, drill into, or in any way deface any part of the Building or the tenant’s premises demised to Tenant. No boring, cutting or stringing of wires shall be permitted, except with the prior written consent of Landlord, and as Landlord may direct. Tenant shall not install any resilient tile or similar floor covering in the tenant’s premises demised to Tenant, except in a manner approved by Landlord.

(14) No tenant shall use or occupy, or permit any portion of the tenant’s premises demised to such tenant to be used or occupied, as an office for a public stenographer or typist, or as a barber or manicure shop, or as an employment bureau. No tenant or occupant shall engage or pay any employees in the Building, except those actually working for such tenant or occupant in the Building or advertise for laborers giving an address at the Building.

(15) No premises shall be used, or permitted to be used, at any time, as a store for the sale or display of goods or merchandise of any kind, or as a restaurant, shop, booth, bootblack or other stand, or for the conduct of any business or occupation which involves direct patronage of the general public in the premises demised to such tenant, or for manufacturing or for other similar purposes.

(16) The requirements of tenants will be attended to only upon application at the office of the Building. Employees of Landlord shall not perform any work or do anything outside of the regular duties, unless under special instructions from the office of Landlord.

(17) Each tenant shall, at its expense, provide artificial light in the premises demised to such tenant for Landlord's agents, contractors and employees while performing janitorial or other cleaning services and making repairs or alterations in said premises.

(18) Employees of a tenant shall not loiter around the hallways, stairways, elevators, front, roof or any other part of the Building used in common by the occupants thereof.

(19) Any cuspidors or similar containers or receptacles used in the premises demised to a tenant shall be cared for and cleaned by and at the expense of such tenant.

(20) Any and all wet and/or food garbage, including coffee grinds, is to be deposited in a plastic liner bag in a waste basket or other receptacle.

(21) No premises of any tenant shall be used for lodging or sleeping or for any immoral or illegal purposes.

(22) Landlord reserves the right to rescind, alter or waive any rule or regulation at any time prescribed for the Building, which, in its judgment, it deems is necessary, desirable or proper for its best interest and for the best interests of the tenants generally, and no alteration or waiver of any rule or regulation in favor of one tenant shall operate as an alteration or waiver in favor of any other tenant. Landlord shall not be responsible to any tenant for the non-observance or violation by any other tenants of any of the rules and regulations at any time prescribed for the Building.

(23) Tenant shall sort, separate and recycle all refuse and rubbish of Tenant in accordance with the methods and procedures set forth, from time to time, by Landlord and as may be required by any Requirements.

FIRST AMENDMENT TO
LEASE AGREEMENT

This FIRST AMENDMENT (this "Amendment"), entered into as of June __, 2007, is made by the parties hereto to that certain Lease Agreement (the "Lease Agreement"), dated as of February 1, 2007, by and between DoubleClick Inc. and Epsilon Data Management, LLC. All capitalized terms used herein and not otherwise defined in this Amendment shall have the meanings set forth in the Lease Agreement.

WITNESSETH:

WHEREAS, each of the parties to the Lease Agreement desires to amend the Lease Agreement in the manner set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties, intending legally to be bound, agree as follows:

1. Network Operations Center. The Lease Agreement is hereby amended by adding the following sentence at the end of Section l(C)(ii) of Exhibit C of the Lease Agreement (Computer Operator Employees for the Email Business).

"Notwithstanding anything contained in this Exhibit C, the services set forth in this Section l(C)(ii) shall terminate on June 30, 2007."

2. Headings. The section and paragraph headings in this Amendment are included for convenience of reference only and shall not in any way affect the meaning or interpretation of this Amendment.

3. No Other Amendments. Except as expressly amended or modified hereby, the terms and conditions of the Lease Agreement shall continue in full force and effect.

4. Incorporation of Miscellaneous Provisions. This Amendment shall be subject to the general provisions contained in Sections 17,19 and 22 of the Lease Agreement, which are hereby incorporated by reference herein.

5. Counterparts. This Amendment may be executed and delivered (including, without limitation, by facsimile transmission) in counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument.

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

DOUBLECLICK INC.

By: ILLEGIBLE
Name:
Title:

EPSILON DATA MANAGEMENT, LLC

By: Denise Parent
Name:
Title:

Exhibit 21

Subsidiaries of
Alliance Data Systems Corporation
A Delaware Corporation

Subsidiary	Jurisdiction of Organization	Other Business Names
ADS Alliance Data Systems, Inc.	Delaware	None
ADS Commercial Services, Inc.	Delaware	None
ADS Reinsurance Ltd.	Bermuda	None
Abacus Direct Europe BV	Netherlands	None
Abacus Direct Ireland Limited	Ireland	None
Alliance Data L.P.	Alberta, Canada	None
Alliance Data FHC, Inc.	Delaware	Epsilon Interactive International Epsilon International
Alliance Data Foreign Holdings, Inc.	Delaware	None
Alliance Data Luxembourg S.ar.l	Luxembourg	None
Alliance Data Network Services, LLC	Delaware	None
Alliance Data Utility Services, LLC	Delaware	None
Alliance Recovery Management, Inc.	Delaware	None
Alliance Travel Services, Inc.	Delaware	None
Conservation Billing Services, Inc.	Florida	Alliance Data Systems Alliance Data
CPC Associates, LLC	Delaware	None
DNCE LLC	Delaware	None
Enlogix Inc.	Canada	None
Epsilon Data Management, LLC	Delaware	None
Epsilon Interactive, LLC	Delaware	None
Epsilon Interactive CA Inc.	Ontario, Canada	Abacus Canada Enterprises Abacus Canada
Epsilon International, LLC	Delaware	None
Epsilon International Ltd.	England	None
Epsilon Marketing Services, LLC	Delaware	None
Epsilon Software Technology Consulting (Shanghai) Co., Ltd.	Shanghai, People’s Republic of China	None
Epsilon Texas, LLC	Delaware	None
ICOM Ltd.	Ontario, Canada	None
iCom Information & Communications, Inc.	Delaware	None
ICOM Information & Communications L.P.	Ontario, Canada	Shopper’s Voice
Interact Connect LLC	Delaware	None
LMG Travel Services Limited	Ontario, Canada	Extra Mile Books Extra Mile Flowers AIR MILES Travel Services
Loyalty Management Group Canada Inc.	Ontario, Canada	AIR MILES airmilesshops.ca AIR MILES For Business AIR MILES Incentives AIR MILES Reward Program Alliance Data Le Groupe Loyalty Loyalty & Marketing Services The Loyalty Group

LoyaltyOne, Inc.	Ohio	AIR MILES Corporate Incentives Alliance Data Loyalty Services Direct Antidote Frequency Marketing, Inc.
Orcom Solutions, LLC	Delaware	Alliance Data Direct Antidote Alliance Data Systems Alliance Data
Precima, Inc.	Delaware	None
Thunderball Acquisition I Inc.	Nova Scotia, Canada	None
Thunderball Acquisition II Inc.	Nova Scotia, Canada	None
WFN Credit Company, LLC	Delaware	None
World Financial Capital Bank	Utah	None
World Financial Network National Bank	Federal Charter	None

Integrated Framework 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, 2007 of the Company and our report dated February 28, 2008 expressed an unqualified opinion and includes an explanatory paragraph regarding the Company's change in its method of accounting for employee stock-based compensation in 2006 and the Company's change in its method of accounting for uncertainty in income taxes in 2007, on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 28, 2008

Exhibit 31.1

CERTIFICATION OF THE
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

I, J. Michael Parks, 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 fourth fiscal quarter 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.

Date: February 28, 2008

/s/ J. Michael Parks
J. Michael Parks
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF THE
CHIEF FINANCIAL 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 fourth fiscal quarter 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.

Date: February 28, 2008

/s/ Edward J. Heffernan
Edward J. Heffernan
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2007 (the "Form 10-K") of Alliance Data Systems Corporation (the "Registrant").

I, J. Michael Parks, the Chief Executive Officer of the Registrant 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.

Dated: February 28, 2008

/s/ J. Michael Parks

Name: J. Michael Parks
Chief Executive Officer

Subscribed and sworn to before me
this 28th day of February, 2008.

/s/ Jane Baedke

Name: Jane Baedke
Title: Notary Public

My commission expires:
October 23, 2008

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2007 (the "Form 10-K") of Alliance Data Systems Corporation (the "Registrant").

I, Edward J. Heffernan, the Chief Financial Officer of the Registrant 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.

Dated: February 28, 2008

/s/ Edward J. Heffernan

Name: Edward J. Heffernan
Chief Financial Officer

Subscribed and sworn to before me
this 28th day of February, 2008.

/s/ Jane Baedke

Name: Jane Baedke
Title: Notary Public

My commission expires:
October 23, 2008

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.