AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 16, 2001

REGISTRATION NO. 333-94623

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 5
TO

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ALLIANCE DATA SYSTEMS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	7374	31-1429215
(State or Other Jurisdiction of Incorporation or Organization)	(Primary standard industrial classification code number)	(I.R.S. Employer Identification Number)

17655 WATERVIEW PARKWAY
DALLAS, TEXAS 75252
TELEPHONE: (972) 348-5100

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

J. MICHAEL PARKS
CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER AND PRESIDENT
17655 WATERVIEW PARKWAY
DALLAS, TEXAS 75252
TELEPHONE: (972) 348-5100

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

WITH A COPY TO:

TERRY M. SCHPOK, P.C.	KENNETH M. DORAN, ESQ.
Akin, Gump, Strauss, Hauer & Feld, L.L.P.	Gibson, Dunn & Crutcher LLP
1700 Pacific Avenue, Suite 4100	333 South Grand Avenue
Dallas, Texas 75201	Los Angeles, California 90071
Telephone: (214) 969-2800	Telephone: (213) 229-7000
Facsimile: (214) 969-4343	Facsimile: (213) 229-7520

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE ON OR AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

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

effective registration statement for the same offering. / / _____

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13--OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

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

SEC registration fees	$ 79,200
NASD filing fees	30,500
New York Stock Exchange application listing fee	335,000
Transfer agent's and registrar's fees and expenses	20,000
Printing and engraving expenses	900,000
Legal fees and expenses	900,000
Accounting fees and expenses	800,000
Blue sky fees and expenses	5,000
Miscellaneous	10,300
Total	$3,080,000

ITEM 14--INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

Alliance Data Systems Corporation's Bylaws provide for indemnification by it of its directors, officers and certain non-officer employees under certain circumstances against expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) reasonably incurred in connection with the defense or settlement of any threatened, pending or completed legal proceeding in which any such person is involved by reason of the fact that such person is or was an officer or employee of Alliance Data Systems Corporation if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of Alliance Data Systems Corporation, and, with respect to criminal actions or proceedings, if such person had no reasonable cause to believe his or her conduct was unlawful.

Alliance Data Systems Corporation's Certificate of Incorporation also provides that, to the fullest extent permitted by the Delaware General Corporation Law, no director shall be personally liable to Alliance Data Systems Corporation or its stockholders for monetary damages resulting from breaches of their fiduciary duty as directors.

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

ITEM 15--RECENT SALES OF UNREGISTERED SECURITIES

Since January 1998, Alliance Data Systems Corporation has issued and sold the following unregistered securities:

(1) In July 1998, 9,634,265 shares of common stock were sold to various Welsh, Carson, Anderson & Stowe limited partnerships and a total of 466,744 shares of common stock were sold to a total of 16 individuals who are partners of some or all of the Welsh Carson limited partnerships for $100.0 million to finance, in part, the acquisition of all of the outstanding capital stock of the Loyalty Management Group Canada Inc.

(2) In August 1998, 30,303 shares of common stock were sold to WCAS Capital Partners II, L.P. at a value of $9.90 per share as consideration for extending the maturity on a 10% subordinated note, issued to WCAS Capital Partners II, originally due January 24, 2002 to October 25, 2005 and 20,202 shares were sold to Limited Commerce Corp. at a value of $9.90 per share as consideration for extending the maturity on a 10% subordinated note, issued to Limited Commerce Corp., originally due January 24, 2002 to October 25, 2005.

(3) In September 1998, 655,555 shares of common stock were sold to WCAS Capital Partners III, LP to finance, in part, the acquisition of Harmonic Systems Incorporated.

(4) In July 1999, a total of 120,000 shares of Series A preferred stock were sold to Welsh, Carson, Anderson & Stowe VIII, L.P., WCAS Information Partners, L.P. and 20 individuals who are also partners of some or all of the Welsh Carson limited partnerships for $120 million. The shares of Series A preferred stock were issued to finance, in part, the acquisition of the network transaction processing business of SPS Payment Systems, Inc.

Since October 1996, Alliance Data Systems Corporation has granted stock options to purchase shares of its common stock under its stock option plan covering an aggregate of 5,441,910 shares, at exercise prices ranging from $9.00 to $15.00 per share. Since January 1998 Alliance Data Systems Corporation has issued 130,375 shares of Alliance Data Systems Corporation's common stock pursuant to the exercise of stock options. Since October 1996, 428,909 stock options have lapsed without being exercised.

The sales and issuances of securities in the transactions described above were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act, Regulation D promulgated thereunder or Rule 701 promulgated under Section 3(b) of the Securities Act, as transactions by an issuer not involving any public offering or transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in such transactions. All recipients had adequate access, through their relationship with Alliance Data Systems, to information about the Company.

ITEM 16--EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

EXHIBIT NO.	EXHIBITS
*1	Form of Underwriting Agreement.
*2.1	Agreement and Plan of Merger, dated as of August 30, 1996, by and between Business Services Holdings, Inc. and World Financial Network Holding Corporation.
*2.2	Agreement and Plan of Merger, dated as of August 14, 1998, by and among Alliance Data Systems Corporation, HSI Acquisition Corp., and Harmonic Systems Incorporated.
*2.3	Stock Purchase Agreement, dated June 8, 1998, by and between SPS Payment Systems, Inc., Alliance Data Systems Corporation, SPS Commercial Services, Inc., and ADS Network Services, Inc., amended July 12, 1999.
2.4	Agreement for the Purchase of all the Shares of Loyalty Management Group Canada Inc., June 26, 1998, by and between Air Miles International Group B.V., certain other shareholders and option holders and Alliance Data Systems Corporation as amended July 14, 1998.
*3.1	Second Amended and Restated Certificate of Incorporation of the Registrant.
*3.2	Second Amended and Restated Bylaws of the Registrant.
*4	Specimen Certificate for shares of Common Stock of the Registrant.
*5	Opinion of Akin, Gump, Strauss, Hauer & Feld, L.L.P.
10.1	Credit Card Processing Agreement between World Financial Network National Bank, Bath and Body Works, Inc. and Tri-State Factoring, Inc., dated January 31, 1996.
10.2	Credit Card Processing Agreement between World Financial Network National Bank, Victoria's Secret Catalogue, Inc., and Far West Factoring Inc., dated January 31, 1996 (assigned by Victoria's Secret Catalogue, Inc. to Victoria's Secret Catalogue, LLC, May 2, 1998).
10.3	Credit Card Processing Agreement between World Financial Network National Bank, Victoria's Secret Stores, Inc., and Lone Mountain Factoring, Inc., dated January 31, 1996.
10.4	Credit Card Processing Agreement between World Financial Network National Bank, Lerner New York, Inc., and Nevada Receivable Factoring, Inc., dated January 31, 1996.

EXHIBIT NO.	EXHIBITS
10.5	Credit Card Processing Agreement between World Financial Network National Bank, Express, Inc., and Retail Factoring, Inc., dated January 31, 1996.
10.6	Credit Card Processing Agreement between World Financial Network National Bank, The Limited Stores, Inc., and American Receivable Factoring, Inc., dated January 31, 1996.
10.7	Credit Card Processing Agreement between World Financial Network National Bank, Structure, Inc., and Mountain Factoring, Inc., dated January 31, 1996.
10.8	Credit Card Processing Agreement between World Financial Network National Bank, Lane Bryant, Inc., and Sierra Nevada Factoring, dated January 31, 1996, and amended August 4, 1998 and September 12, 1999.
10.9	Credit Card Processing Agreement between World Financial Network National Bank, Henri Bendel, Inc., and Western Factoring, Inc., dated January 31, 1996 and amended May 13, 1998.
*10.10	Alliance Data Systems Corporation and its Subsidiaries Employee Stock Purchase Plan.
*10.11	Lease between Deerfield and Weiland Office Building, L.L.C. and ADS Alliance Data Systems, Inc., dated July 30, 1999.
*10.12	Indenture of Sublease between J.C. Penney Company, Inc. and BSI Business Services, Inc., dated January 11, 1996.
*10.13	Build-to-Suit Net Lease between Opus South Corporation and ADS Alliance Data Systems, Inc., dated January 29, 1998, as amended.
*10.14	Industrial Lease Agreement between CIBC Development Corporation and Loyalty Management Group Canada Inc., dated October 19, 1998, amended January 26, 1999.
*10.15	Lease between YCC Limited and London Life Insurance Company and Loyalty Management Group Canada Inc. dated May 28, 1997 and amended June 19, 1997 and January 15, 1998.
*10.16	Deed of Lease between Boswell International Marine (PTE) Limited and Financial Automation Limited, dated August 3, 1999.
*10.17	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.
*10.18	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.
*10.19	Lease Agreement by and between Americana Parkway Warehouse Limited and World Financial Network National Bank, dated June 28, 1994.
*10.20	Lease Agreement by and between Morrison Taylor II, Ltd. and ADS Alliance Data Systems, Inc., dated June 18, 1998, and amended June 18, 1998.
*10.21	Lease Agreement between Morrison Taylor, Ltd. and ADS Alliance Data Systems, Inc. dated July 1, 1997, and amended June 18, 1998.
*10.22	Commercial Lease Agreement between Waterview Parkway, L.P. and ADS Alliance Data Systems, Inc., dated July 16, 1997.
*10.23	Preferred Stock Purchase Agreement by and between Alliance Data Systems Corporation and several persons named in Schedule I thereto, dated July 12, 1999.

EXHIBIT NO.	EXHIBITS
*10.24	Amended and Restated Stockholder Agreement, by and between World Financial Network Holding Corporation, Limited Commerce Corp., Welsh, Carson, Anderson, and Stowe VII, L.P., and the several other investors named in Annex 1 thereto dated August 30, 1996, and amended July 24, 1998, August 31, 1998 and July 12, 1999.
*10.25	Securities Purchase Agreement, by and between Business Services Holdings, Inc., and the several purchasers named in Schedule 1 and Schedule II thereto, dated January 24, 1996, and amended August 31, 1998.
*10.26	Common Stock Purchase Agreement between Alliance Data Systems Corporation and Welsh, Carson, Anderson, and Stowe VII, L.P., Welsh, Carson, Anderson, and Stowe VIII, L.P., and the persons named in Schedule I thereto, dated July 24, 1998.
*10.27	Securities Purchase Agreement between Alliance Data Systems Corporation and WCAS Capital Partners III, L.P., dated September 15, 1998.
*10.28	10% Subordinated Note due September 15, 2008 issued by Alliance Data Systems Corporation to WCAS Capital Partners III, L.P. dated September 15, 1998.
*10.29	10% Subordinated Note due October 25, 2005 issued by Alliance Data Systems Corporation to the Limited Commerce Corp., dated January 24, 1996.
*10.30	10% Subordinated Note due October 25, 2005 issued by Alliance Data Systems Corporation to WCAS Capital Partners II, L.P. dated January 24, 1996.
*10.31	Amended and Restated Credit Agreement between Alliance Data Systems Corporation, and Loyalty Management Group Canada Inc., the Guarantors party thereto, the Banks party thereto, and Morgan Guaranty Trust Company of New York, dated July 24, 1998.
*10.32	Pooling and Servicing Agreement, dated as of January 30, 1998, by and between World Financial Network National Bank, as Transferor and as Servicer, and The Bank of New York, as Trustee.
*10.33	ADS Alliance Data Systems, Inc. Supplemental Executive Retirement Plan, effective May 1, 1999.
*10.34	Amended and Restated Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Plan.
*10.35	Form of Alliance Data Systems Corporation Incentive Stock Option Agreement.
*10.36	Form of Alliance Data Systems Corporation Non-Qualified Stock Option Agreement.
*10.37	Form of Alliance Data Systems Corporation Confidentiality and Non-Solicitation Agreement.
*10.38	Alliance Data Systems Corporation 1999 Incentive Compensation Plan.
*10.39	Letter employment agreement with J. Michael Parks, dated February 19, 1997.
*10.40	Letter employment agreement with Ivan Szeftel, dated May 4, 1998.

EXHIBIT NO.	EXHIBITS
*10.41	Registration Rights Agreement dated as of January 24, 1996 between Business Services Holdings, Inc. and Welsh Carson, Andersen, and Stowe VII, L.P., WCAS Information Partners, L.P., WCA Management Corporation, Patrick J. Welsh, Russell L. Carson, Bruce K. Anderson, Richard H. Stowe, Andrew M. Paul, Thomas E. McInerney, Laura VanBuren, James B. Hoover, Robert A. Minicucci, Anthony J. deNicola, and David Bellet.
*10.42	Securities Purchase Agreement, dated as of August 30, 1996, by and among World Financial Network Holding Corporation, Limited Commerce Corp., and several persons named in Schedules I and II thereto, and WCAS Capital Partners II, L.P., as amended August 31, 1998.
*10.43	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.
*10.44	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.
*10.45	License to Use the Air Miles Trademarks in the United States, dated as of July 24, 1998, by and between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc.
*10.46	License to Use and Exploit the Air Miles Scheme in the United States, dated as of July 1998, by and between Air Miles International Trading B.V. and Alliance Data Systems Corporation.
*10.47	Form of Retainer Agreement entered into between ADS Alliance Data Systems, Inc. and certain affiliates of The Limited, Inc.
*10.48	Form of Business Solutions Master Agreement between ADS Alliance Data Systems, Inc. and certain affiliates of The Limited, Inc.
*10.49	Second Amendment to Amended and Restated Credit Agreement, dated as of September 29, 2000, by and among Alliance Data Systems Corporation, Loyalty Management Group Canada Inc., Morgan Guaranty Trust Company of New York and Harris Trust and Savings Bank.
*10.50	Commercial Real Estate Lease, between Route 7 Realty, LLC and ADS Alliance Data Systems, Inc., dated October 24, 2000.
*10.51	Third Amendment to Amended and Restated Credit Agreement, dated as of January 10, 2001 between Alliance Data Systems Corporation, Loyalty Management Group Canada Inc. and Harris Trust and Savings Bank.
*10.52	General Release and Severance Agreement by and between Edward K. Mims, ADS Alliance Data Systems, Inc., and Alliance Data Systems Corporation.
*10.53	General Release and Severance Agreement by and between James Anderson, ADS Alliance Data Sytems, Inc. and Alliance Data Systems Corporation.
10.54	Consumer Marketing Database Services Agreement among ADS Alliance Data Systems, Inc., Intimate Brands, Inc. and The Limited, Inc., dated as of September 1, 2000.
*10.55	Fourth Amendment to Lease, made effective as of June 1, 2000, by and between Partners at Brooksedge and ADS Alliance Data Systems, Inc.

EXHIBIT NO.	EXHIBITS
**10.56	Supplier Agreement between Loyalty Management Group Canada and Air Canada dated as of April 24, 2000.
*21	Subsidiaries of the Registrant.
*23.1	Consent of Deloitte & Touche LLP with regard to Alliance Data Systems Corporation and SPS Network Services.
*23.2	Consent of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (included in its opinion filed as Exhibit 5 hereto).
*24	Power of Attorney (included on the signature page hereto).

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* Previously filed.

** Portions of Exhibit have been omitted and filed separately with the commission pursuant to a request for confidential treatment.

(b) Financial Statement Schedules

Schedule II--Valuation and qualifying accounts

ITEM 17--UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

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

The undersigned registrant hereby undertakes that:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, State of Texas, on February 16, 2001.

ALLIANCE DATA SYSTEMS CORPORATION

By: /s/ J. MICHAEL PARKS
J. Michael Parks
CHIEF EXECUTIVE OFFICER AND PRESIDENT

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on February 16, 2001:

NAME	TITLE
/s/ J. MICHAEL PARKS J. Michael Parks	Chairman of the Board, Chief Executive Officer and President (principal executive officer)
/s/ EDWARD J. HEFFERNAN Edward J. Heffernan	Executive Vice President and Chief Financial Officer (principal financial officer)
* Michael D. Kubic	Vice President, Corporate Controller and Chief Accounting Officer (principal accounting officer)
* Bruce K. Anderson	Director
* Anthony J. deNicola	Director
* Daniel P. Finkelman	Director
* Kenneth R. Jensen	Director
* Robert A. Minicucci	Director
* Bruce A. Soll	Director

*By: /s/ J. MICHAEL PARKS
J. Michael Parks
ATTORNEY-IN-FACT

EXHIBIT INDEX

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*10.13	Build-to-Suit Net Lease between Opus South Corporation and ADS Alliance Data Systems, Inc., dated January 29, 1998, as amended.
*10.14	Industrial Lease Agreement between CIBC Development Corporation and Loyalty Management Group Canada Inc., dated October 19, 1998, amended January 26, 1999.
*10.15	Lease between YCC Limited and London Life Insurance Company and Loyalty Management Group Canada Inc. dated May 28, 1997 and amended June 19, 1997 and January 15, 1998.
*10.16	Deed of Lease between Boswell International Marine (PTE) Limited and Financial Automation Limited, dated August 3, 1999.
*10.17	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.
*10.18	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.
*10.19	Lease Agreement by and between Americana Parkway Warehouse Limited and World Financial Network National Bank, dated June 28, 1994.
*10.20	Lease Agreement by and between Morrison Taylor II, Ltd. and ADS Alliance Data Systems, Inc., dated June 18, 1998, and amended June 18, 1998.
*10.21	Lease Agreement between Morrison Taylor, Ltd. and ADS Alliance Data Systems, Inc. dated July 1, 1997, and amended June 18, 1998.
*10.22	Commercial Lease Agreement between Waterview Parkway, L.P. and ADS Alliance Data Systems, Inc., dated July 16, 1997.
*10.23	Preferred Stock Purchase Agreement by and between Alliance Data Systems Corporation and several persons named in Schedule I thereto, dated July 12, 1999.
*10.24	Amended and Restated Stockholder Agreement, by and between World Financial Network Holding Corporation, Limited Commerce Corp., Welsh, Carson, Anderson, and Stowe VII, L.P., and the several other investors named in Annex 1 thereto dated August 30, 1996, and amended July 24, 1998, August 31, 1998 and July 12, 1999.
*10.25	Securities Purchase Agreement, by and between Business Services Holdings, Inc., and the several purchasers named in Schedule 1 and Schedule II thereto, dated January 24, 1996, and amended August 31, 1998.
*10.26	Common Stock Purchase Agreement between Alliance Data Systems Corporation and Welsh, Carson, Anderson, and Stowe VII, L.P., Welsh, Carson, Anderson, and Stowe VIII, L.P., and the persons named in Schedule I thereto, dated July 24, 1998.
*10.27	Securities Purchase Agreement between Alliance Data Systems Corporation and WCAS Capital Partners III, L.P., dated September 15, 1998.
*10.28	10% Subordinated Note due September 15, 2008 issued by Alliance Data Systems Corporation to WCAS Capital Partners III, L.P. dated September 15, 1998.

EXHIBIT NO.	DESCRIPTION
*10.29	10% Subordinated Note due October 25, 2005 issued by Alliance Data Systems Corporation to the Limited Commerce Corp., dated January 24, 1996.
*10.30	10% Subordinated Note due October 25, 2005 issued by Alliance Data Systems Corporation to WCAS Capital Partners II, L.P. dated January 24, 1996.
*10.31	Amended and Restated Credit Agreement between Alliance Data Systems Corporation, and Loyalty Management Group Canada Inc., the Guarantors party thereto, the Banks party thereto, and Morgan Guaranty Trust Company of New York, dated July 24, 1998.
*10.32	Pooling and Servicing Agreement, dated as of January 30, 1998, by and between World Financial Network National Bank, as Transferor and as Servicer, and The Bank of New York, as Trustee.
*10.33	ADS Alliance Data Systems, Inc. Supplemental Executive Retirement Plan, effective May 1, 1999.
*10.34	Amended and Restated Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Plan.
*10.35	Form of Alliance Data Systems Corporation Incentive Stock Option Agreement.
*10.36	Form of Alliance Data Systems Corporation Non-Qualified Stock Option Agreement.
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*10.41	Registration Rights Agreement dated as of January 24, 1996 between Business Services Holdings, Inc. and Welsh Carson, Andersen, and Stowe VII, L.P., WCAS Information Partners, L.P., WCA Management Corporation, Patrick J. Welsh, Russell L. Carson, Bruce K. Anderson, Richard H. Stowe, Andrew M. Paul, Thomas E. McInerney, Laura VanBuren, James B. Hoover, Robert A. Minicucci, Anthony J. deNicola, and David Bellet.
*10.42	Securities Purchase Agreement, dated as of August 30, 1996, by and among World Financial Network Holding Corporation, Limited Commerce Corp., and several persons named in Schedules I and II thereto, and WCAS Capital Partners II, L.P., as amended August 31, 1998.
*10.43	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.
*10.44	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.
*10.45	License to Use the Air Miles Trademarks in the United States, dated as of July 24, 1998, by and between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc.
*10.46	License to Use and Exploit the Air Miles Scheme in the United States, dated as of July 1998, by and between Air Miles International Trading B.V. and Alliance Data Systems Corporation.

EXHIBIT NO.	DESCRIPTION
*10.47	Form of Retainer Agreement entered into between ADS Alliance Data Systems, Inc. and certain affiliates of The Limited, Inc.
*10.48	Form of Business Solutions Master Agreement between ADS Alliance Data Systems, Inc. and certain affiliates of The Limited, Inc.
*10.49	Second Amendment to Amended and Restated Credit Agreement, dated as of September 29, 2000, by and among Alliance Data Systems Corporation, Loyalty Management Group Canada Inc., Morgan Guaranty Trust Company of New York and Harris Trust and Savings Bank.
*10.50	Commercial Real Estate Lease, between Route 7 Realty, LLC and ADS Alliance Data Systems, Inc., dated October 24, 2000.
*10.51	Third Amendment to Amended and Restated Credit Agreement, dated as of January 10, 2001 between Alliance Data Systems Corporation, Loyalty Management Group Canada Inc. and Harris Trust and Savings Bank.
*10.52	General Release and Severance Agreement by and between Edward K. Mims, ADS Alliance Data Systems, Inc. and Alliance Data Systems Corporation.
*10.53	General Release and Severance Agreement by and between James Anderson, ADS Alliance Data Sytems, Inc., and Alliance Data Systems Corporation.
10.54	Consumer Marketing Database Services Agreement among ADS Alliance Data Systems, Inc., Intimate Brands, Inc. and The Limited, Inc., dated as of September 1, 2000.
*10.55	Fourth Amendment to Lease, made effective as of June 1, 2000, by and between Partners at Brooksedge and ADS Alliance Data Systems, Inc.
**10.56	Supplier Agreement between Loyalty Management Group Canada and Air Canada dated as of April 24, 2000.
*21	Subsidiaries of the Registrant.
*23.1	Consent of Deloitte & Touche LLP with regard to Alliance Data Systems Corporation and SPS Network Services.
*23.2	Consent of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (included in its opinion filed as Exhibit 5 hereto).
*24	Power of Attorney (included on the signature page hereto)

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* Previously filed.

** Portions of Exhibit have been omitted and filed separately with the commission pursuant to a request for confidential treatment.

EXHIBIT 2.4

AIR MILES INTERNATIONAL GROUP B.V.

- AND -

EACH OF THE OTHER SHAREHOLDERS AND OPTIONHOLDERS

LISTED ON EXHIBIT A-1

- AND -

ALLIANCE DATA SYSTEMS CORPORATION

AGREEMENT FOR THE PURCHASE OF ALL THE SHARES

OF

LOYALTY MANAGEMENT GROUP CANADA INC.

JUNE 26, 1998

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SHARE PURCHASE AGREEMENT

THIS AGREEMENT is made as of the 26th day of June, 1998, among AIR MILES INTERNATIONAL GROUP B.V., a company incorporated under the laws of The Netherlands ("AMIG"), each of the other shareholders and optionholders listed on Exhibit A-1 (collectively with AMIG, the "VENDORS") and ALLIANCE DATA SYSTEMS CORPORATION, a corporation organized and existing under the laws of the State of Delaware (the "PURCHASER").

RECITALS

1. Loyalty Management Group Canada Inc., a corporation organized under the laws of Ontario (the "COMPANY"), has authorized capital consisting of 1,434,464 common shares, of which 1,189,542 common shares are currently issued and outstanding as fully paid and non-assessable shares of the Company.

2. As of the date hereof the issued and outstanding Loyalty Shares are owned as described on Exhibit A-2 hereto.

3. The Optionholders and certain of the Vendors have options to acquire Loyalty Shares, and accordingly, as of Closing the ownership of the Loyalty Shares is expected to be as described in Exhibit A-3 hereto.

4. As of the Closing, the Vendors and the Optionholders (collectively, the "Selling Shareholders") will own 100% of the issued and outstanding capital stock of the Company.

5. Each of the Selling Shareholders is willing or required to sell to the Purchaser the Loyalty Shares owned by such Selling Shareholder as of the Closing Date, which Loyalty Shares in the aggregate will constitute 100% of the issued and outstanding capital stock of the Company, and the Purchaser is willing to purchase from the Selling Shareholders all of the Loyalty Shares, upon and subject to the terms and conditions contained in this Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 DEFINITIONS. In this Agreement, the following terms shall have the meanings set out below unless the context requires otherwise:

"AFFILIATE" means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such Person, and includes any Person in like relation to an Affiliate. A Person shall be deemed to "control" another person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the term "CONTROLLED" shall have a similar meaning.

"AGREEMENT" means this Agreement, including the Exhibits and the Schedules to this Agreement, as it or they may be amended or supplemented from time to time, and the expressions "HEREOF", "HEREIN", "HERETO", "HEREUNDER", "HEREBY" and similar expressions refer to this Agreement and not to any particular Section or other portion of this Agreement.

"AMTM" means AIR MILES(R) travel miles.

"AIR MILES(R) PROGRAm" means the AIR MILES(R) Reward Program, a rewards program managed and operated by the Company within Canada under which Persons enrolled therein are eligible to earn AMTM which may be redeemed for airline tickets and other goods and services.

"APPLICABLE LAW" means, with respect to any Person, property, transaction, event or other matter, any law, rule, statute, regulation, order, judgment, decree, treaty or other requirement having the force of law relating or applicable to such Person, property, transaction, event or other matter.

"ASSETS" means all the properties, assets, interests and rights of the Company or LMGTS Relating to the Business, including the following:

(a) all rights and interests of the Company to and in the Leased Premises and under the Real Property Leases, including prepaid rents, security deposits and options to renew or purchase, rights of first refusal under the Real Property Leases and all leasehold improvements owned by the Company and forming part of the Leased Premises;

(b) all receivables;

(c) all rights and interests under or pursuant to all warranties, representations and guarantees, express, implied or otherwise, of or made by suppliers or others in connection with the Assets;

(d) the Intellectual Property;

(e) the Contracts;

(f) the Licences and Permits;

(g) the Books and Records;

(h) all prepaid charges, deposits, sums and fees paid by the Company or LMGTS before the Closing Time; and

(i) all goodwill of the Company and LMGTS including the present telephone numbers, internet domain addresses and other communications numbers and addresses of the Company and LMGTS.

"BMO" means Bank of Montreal.

"BOOKS AND RECORDS" means all books, records, files and papers of the Company including computer programs (including source code), software programs, manuals and data, sales and advertising materials, sales and purchases correspondence, research and development records, lists of present and former Sponsors, Collectors and Suppliers, personnel, employment and other records, and the minute and share certificate books of the Company and LMGTS, and all copies and recordings of the foregoing in the possession or under the control of the Company.

"BUSINESS" means the business carried on by the Company, which primarily involves the operation of the AIR MILES-Registered Trademark-Program and the business carried on by LMGTS.

"BUSINESS DAY" means any day except Saturday, Sunday or any day on which banks are generally not open for business in the City of Toronto.

"CANADIAN DOLLARS" means the lawful currency of Canada.

"CLAIMS" has the meaning given in Section 4.1.

"CLOSING" means the completion of the purchase and sale of the Loyalty Shares in accordance with the provisions of this Agreement.

"CLOSING DATE" means July 17, 1998 or such earlier or later date as may be agreed upon in writing by the Parties provided however that any one of AMIG, BMO, EUK Limited and the Purchaser shall have the right to extend the Closing to July 24, 1998 upon notice to the other Parties given on or prior to July 15, 1998, whereupon the "CLOSING DATE" shall be July 24, 1998.

"CLOSING TIME" means the time of Closing on the Closing Date provided for in Section 7.1.

"COLLECTOR" means a Person registered with the Company as a collector of AMTM.

"COMPANY" means Loyalty Management Group Canada Inc., a corporation organized under the laws of Ontario, doing business as "The Loyalty Group".

"COMPANY'S COUNSEL" means the firm of Blake, Cassels & Graydon.

"CONTRACTS" means all pending and/or executory contracts, agreements, leases and arrangements to which the Company or LMGTS is a party or by which the Company or LMGTS or any of the Assets or the Business is bound, including the Material Contracts, the Real Property Leases and the Personal Property Leases.

"DIRECTOR" means a director of the Company.

"ECB" means the Company's Executive Committee Bonus Plan.

"ELECTRA" means Electra Investment Trust plc or an affiliate thereof.

"ELECTRA PLEDGE" means the pledge by AMIG of its Loyalty Shares to Electra Fleming plc.

"EMPLOYEE" means an individual who is employed by the Company or LMGTS.

"EMPLOYEE PLANS" has the meaning given in Section 3.2(22).

"FINANCIAL STATEMENTS" means the audited comparative consolidated financial statements of the Company for the fiscal years ended April 30, 1998 and April 30, 1997.

"GAAP" means those accounting principles that are recognized as being generally accepted in Canada from time to time including those set out in the handbook published by the Canadian Institute of Chartered Accountants, consistently applied and without material revision from prior periods in management estimates and assumptions affecting the Financial Statements.

"GOVERNMENTAL AUTHORIZATION" means any approval, authorization, certificate, consent, grant, licence, permit, quota or registration which may be issued or granted by any Governmental Body.

"GOVERNMENTAL BODY" means any government, parliament, legislature, regulatory authority, governmental department, agency, commission, board, tribunal, or court or other law, rule or regulation-making entity of any nation, state or province or other subdivision thereof or any municipality, district or other subdivision thereof.

"INCLUDING" means "including without limitation", and "INCLUDES" means "includes without limitation."

"INTELLECTUAL PROPERTY" means all of the rights and interests of the Company and LMGTS in and to:

(a) all Trade-Marks;

(b) all inventions, patents, patent rights, patent applications (including all reissues, divisions, continuations, continuations-in-part and extensions of any patent or patent application), industrial designs and applications for registration of industrial designs Related to the Business;

(c) all copyrights, registrations and applications for registration of copyrights Related to the Business;

(d) processes, data, data bases, trade secrets, designs, know-how, product information, manuals, technology, research and development reports, technical information, technical assistance, design specifications, and similar materials recording or evidencing expertise or information Related to the Business;

(e) all computer software programs and applications (in both source code and object code form as the Company may possess) used in connection with the Business, whether owned by the Company or LMGTS (the "Owned Software") or licensed by the Company or LMGTS from third parties (the "Licensed Software");

(f) all other intellectual and industrial property rights of the Company, whether in Canada or elsewhere, Related to the Business; and

(g) all licences from third parties of intellectual property listed in items (a) to (f) above.

"INTERIM PERIOD" means the period from the date of this Agreement to the Closing.

"LMGTS" means LMG Travel Services Limited, a corporation organized under the laws of Ontario.

"LEASED PREMISES" means all real property that is leased or occupied by the Company or LMGTS under the Real Property Leases.

"LICENCES AND PERMITS" means all licences, permits, filings, authorizations or approvals issued to the Company or LMGTS by any Governmental Body.

"LICENSE AGREEMENTS" means the License to Use and Exploit the Air Miles Scheme in Canada dated December 17, 1992 between Air Miles International Trading B.V. and the Company, as amended, (the "Scheme License") and the License to Use the Air Miles Trade-Marks in Canada dated December 17, 1992 between Air Miles International Holdings N.V. and the Company, as amended (the "Trade-Mark License").

"LIEN" means any lien, mortgage, charge, hypothec, pledge, security interest, option, warrant, lease, sublease or other encumbrance of any nature whatsoever.

"LOYALTY SHARES" means shares in the capital of the Company, including shares received upon exercise of outstanding options.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on the business or financial position of the Company and LMGTS taken as a whole.

"MATERIAL CONTRACT" means any of the agreements listed on Schedule 3.2(17).

"NON-RESIDENT VENDORS" means those Selling Shareholders listed on Schedule 3.1(6) as being non-residents of Canada for the purposes of the Tax Act.

"OFFICER" means an officer of the Company.

"OPTIONHOLDERS" means the Persons listed on Exhibit A-4.

"PARTY" means a Party to this Agreement and any reference to a Party includes its successors and permitted assigns.

"PERSON" is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity.

"PERSONAL PROPERTY LEASES" means all chattel leases, equipment leases, rental agreements, conditional sales contracts and other similar agreements to which the Company or LMGTS is a party or by which it is bound.

"PURCHASE PRICE" has the meaning given in Section 2.2.

"PURCHASER'S COUNSEL" means Reboul, MacMurray, Hewitt, Maynard & Kristol as to United States law and Fasken Campbell Godfrey as to Canadian law.

"REAL PROPERTY LEASES" means all the leases, agreements to lease, subleases, licences, concessions or occupancy agreements and use or occupancy rights with respect to real property to which the Company or LMGTS is a party or by which it is bound.

"RELATED TO THE BUSINESS" means used in or reasonably necessary to the conduct of the Business prior to the Closing Time and the phrases "RELATING TO THE BUSINESS" or "RELATE TO THE BUSINESS" shall be similarly interpreted.

"RESERVE AGREEMENT" means the agreement dated as of December 1, 1992, between the Company and Sun Life Trust Company, as amended.

"RESERVE FUND" has the meaning set out in the Reserve Agreement.

"SECTION 116 CERTIFICATE" has the meaning attributed thereto in Section 2.5.

"SELLING SHAREHOLDERS" has the meaning set out in the Recitals hereto provided that in the event an Optionholder does not exercise any of its options to acquire Loyalty Shares, that Optionholder shall be deemed not to be a Selling Shareholder.

"SHAREHOLDERS AGREEMENT" means the Shareholders Agreement dated December 16, 1996 between the Company, BMO, Electra, AMIG and EUK Limited.

"SPONSOR" means a Person granted a license or otherwise permitted by the Company to issue AMTM.

"SUPPLIER" means a Person who provides goods or services to the Company which are available to Collectors on redemption of their AMTM.

"TAX ACT" means the INCOME TAX ACT (Canada), as amended.

"TAXES" means all taxes, duties, excise, fees, imposts, assessments, deductions, charges or withholding taxes including federal and provincial sales, use, ad valorem and franchise taxes, payroll, employment, goods and services taxes, harmonized sales taxes, transfer taxes, property purchase taxes, income taxes, business taxes, capital taxes, and other provincial and federal taxes, municipal taxes, local taxes, environmental or windfall profits taxes, custom duties and Canada Pension Plan contributions and employment insurance premiums or other like assessments or charges and all liabilities with respect thereto, including any penalty and interest payable with respect thereto and the term "Tax Returns" means all reports, returns and other documents filed or required to be filed by the Company and/or LMGTS in respect of Taxes.

"TRADE-MARKS" means all registered or unregistered trade-marks, trade names, business names, brand names, brands, designs, logos, identifying indicia and service marks of the Company Relating to the Business including any goodwill attaching to any such trade-marks and all registrations and applications relating thereto.

"VCB" means the Company's Value Creation Bonus Plan.

"VENDOR'S LOYALTY SHARES" means, as to each Vendor at any time, the Loyalty Shares owned by the Vendor at such time.

"VENDOR'S PROPORTIONATE SHARE" means, as to each Vendor, the percentage obtained by dividing the number of Loyalty Shares sold by such Vendor to the Purchaser by the aggregate number of Loyalty Shares sold by all the Vendors to the Purchaser.

1.2 HEADINGS AND TABLE OF CONTENTS. The division of this Agreement into Articles and Sections, the insertion of headings and the provision of any table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 NUMBER AND GENDER. Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.4 BUSINESS DAYS. If any payment or other action is required to be made or taken pursuant to this Agreement on a day which is not a Business Day, then such payment shall be made or such other action shall be taken on the next Business Day.

1.5 CURRENCY AND PAYMENT OBLIGATIONS. Except as otherwise expressly provided in this Agreement:

(1) all dollar amounts referred to in this Agreement are stated in Canadian Dollars;

(2) any payment contemplated by this Agreement shall be made by cash, certified cheque or any other method that provides immediately available funds; and

(3) except in the case of any payment due on the Closing Date, any payment due on a particular day must be received and available not later than 2:00 p.m. (Eastern Standard Time) on the due date and any payment made after that time shall be deemed to have been made and received on the next Business Day.

1.6 KNOWLEDGE OF THE VENDORS. Reference herein to "KNOWLEDGE OF THE VENDORS" shall mean the actual knowledge of any of the Vendors after consultation with the current Officers.

1.7 STATUTE REFERENCES. Any reference in this Agreement to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time.

1.8 SECTION AND SCHEDULE REFERENCES. Unless the context requires otherwise, references in this Agreement to Sections, Exhibits or Schedules are to Sections, Exhibits or Schedules of this Agreement.

ARTICLE 2

PURCHASE OF SHARES

2.1 AGREEMENT TO PURCHASE AND SELL. At the Closing Time, subject to the terms and conditions of this Agreement (1) the Purchaser shall purchase from each Vendor and each Vendor shall sell, transfer and assign to the Purchaser the Loyalty Shares owned by such Vendor as of Closing; and (2) the Purchaser agrees to purchase from each Optionholder the Loyalty Shares owned by such Optionholder as of Closing.

2.2 PURCHASE PRICE. The purchase price payable by the Purchaser for all Loyalty Shares (the "PURCHASE Price") shall be Two Hundred and Eighty Three Million Canadian Dollars ($283,000,000).

2.3 SALE AND TRANSFER OF SHARES. At the Closing Time, each Vendor shall transfer and deliver to the Purchaser certificates representing the Loyalty Shares being sold by such Vendor under this Agreement, in each case duly endorsed for transfer or accompanied by stock transfer powers duly endorsed in blank. Subject to the fulfilment of the conditions set forth in Section 6.3, each Vendor who holds options to acquire Loyalty Shares, shall exercise each of such options at or prior to the Closing Time and shall sell the Loyalty Shares received upon such exercise to the Purchaser as provided herein.

2.4 PAYMENT OF PURCHASE PRICE. As payment in full of the Purchase Price for the Loyalty Shares, and against delivery of certificates for the Loyalty Shares as aforesaid, at the Closing Time (a) the Purchaser shall pay to each Selling Shareholder, by certified cheque or bankers draft payable to or at the direction of such Selling Shareholder, an amount equal to the portion of Two Hundred and Sixty Eight Million Canadian Dollars ($268,000,000) (the "Base Amount") payable to such Selling Shareholder as described in Exhibit A-3, subject to the provisions of Section 2.5, and (b) the Purchaser shall deposit in escrow an amount equal to $15,000,000 (the "Escrow Amount") as contemplated by Section 2.6. For greater certainty but without limiting Section 2.3, (i) in the event that a Vendor or an Optionholder does not exercise all of its options to acquire Loyalty Shares, then the portion of the Base Amount and any Escrow Amount payable to each Selling Shareholder as described in Exhibit A-3 shall be adjusted accordingly, and (ii) the Purchaser shall have no obligation to purchase any Loyalty Shares hereunder if, upon closing of such purchase and sale, the Purchaser will not own 100% of the issued and outstanding capital stock of the Company, or any Person will retain a right to acquire any capital stock of the Company, in each case other than by reason of any action taken by or on behalf of the Purchaser.

2.5 SECTION 116 OF THE TAX ACT.

(1) Each Non-Resident Vendor shall, on or before the Closing Time, make best efforts to deliver to the Purchaser a certificate issued by the Minister of National Revenue of Canada pursuant to subsection 116(2) of the Tax Act (a "SECTION 116 CERTIFICATE") in respect of the proposed disposition by the Non-Resident Vendor of the Vendor's Loyalty Shares. Each Section 116 Certificate shall specify a "certificate limit" in an amount no less than the proportion of the Purchase Price payable to such Vendor in accordance with Section 2.4.

(2) In the event that a Section 116 Certificate required under subsection 2.5(1) has not been delivered by a Non-Resident Vendor to the Purchaser on or before the Closing Time, or in the event that a Section 116 Certificate that is delivered by a Non-Resident Vendor to the Purchaser on or before the Closing Time specifies a "certificate limit" that is less than the proportion of the Purchase Price payable to such Vendor, the Purchaser shall be entitled to withhold from such amount an amount equal to (i) 33 1/3% of such amount if no Section 116 Certificate is delivered, or (ii) 33 1/3% of the difference between such amount and the "certificate limit" if a Section 116 Certificate is delivered (in either case, the "WITHHELD AMOUNT"). Subject to Section 2.5(5), the Withheld Amount shall be deposited by the Purchaser in an interest bearing account at a bank located in Ontario and the Purchaser shall provide notice to the Vendors of such account particulars. The Withheld Amount shall be remitted to the Receiver General of Canada on the day that the Withheld Amount is required to be so remitted pursuant to subsection 116(5) of the Tax Act (the "REMITTANCE DATE"). All interest received by the Purchaser on the Withheld Amount shall be for the account of the Non-Resident Vendor, and the full amount of such interest less any taxes required to be deducted or withheld from such interest shall be paid to the Non-Resident Vendor on the Remittance Date.

(3) Notwithstanding the foregoing, if a Non-Resident Vendor delivers a Section 116 Certificate or a replacement Section 116 Certificate to the Purchaser at any time after the Closing Time and prior to the Remittance Date, the Purchaser shall pay to the Non-Resident Vendor on account of the Withheld Amount an amount equal to the Withheld Amount less 33 1/3% of the amount, if any, by which the proportion of the Purchase Price payable to such Vendor exceeds the "certificate limit" specified in such Section 116 Certificate. This amount, together with all interest received by the Purchaser on this amount less any taxes required to be deducted or withheld from such interest, shall be paid by the Purchaser to the Non-Resident Vendor by the day after the day the Section 116 Certificate or replacement Section 116 Certificate is delivered to the Purchaser.

(4) In any case where the Purchaser withholds and remits to the appropriate taxing authority any amount pursuant to this section, the Purchaser shall be deemed to have paid such amount to the Non-Resident Vendor on account of the proportion of the Purchase Price payable to such Vendor.

(5) In any case where the Purchaser withholds any amount pursuant to this section, such amount shall be invested by the Purchaser as directed by the Non-Resident Vendor (for the account of and at the risk of such Non-Resident Vendor) in respect of whom such amount is withheld.

2.6 ESCROW. At the Closing Time, (i) the Vendors and the Purchaser shall enter into an escrow agreement substantially in the form of Exhibit F hereto (the "Escrow Agreement", and (ii) the Purchaser shall deposit in escrow the Escrow Amount (as defined in Section 2.4) pursuant to the Escrow Agreement. The Escrow Amount shall be held in escrow and otherwise dealt with in accordance with the Escrow Agreement.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

3.1 REPRESENTATIONS AND WARRANTIES RELATING TO THE VENDORS. Each Vendor hereby represents and warrants to the Purchaser as follows in respect of itself or himself and acknowledges that the Purchaser is relying upon these representations and warranties in connection with its execution and delivery of this Agreement and the purchase of the Loyalty Shares:

(1) Incorporation and Power. In the event the Vendor is a corporation, such Vendor is a corporation duly organized and validly subsisting under the laws of its governing jurisdiction and has all requisite right, power and authority to enter into, execute and deliver this Agreement and all other agreements required to be delivered by it hereunder and to perform its obligations hereunder and thereunder. The entering into, execution and delivery of this Agreement and all other agreements to be delivered by it hereunder, and the performance of its obligations hereunder and thereunder have been duly and validly authorized and approved by all necessary corporate action on its part.

(2) Ownership of Loyalty Shares. Such Vendor is or will be at Closing the sole and beneficial owner, and the holder of record, of the number of Loyalty Shares shown opposite such Vendor's name in Exhibit A-3 hereto and has, or will have at Closing, good and marketable title thereto, free and clear of any and all Liens except for the Electra Pledge with respect to AMIG, and has or will have at Closing the exclusive right to sell, transfer and assign such shares. Such shares constitute all of the Loyalty Shares owned by such Vendor.

(3) Enforceability of Obligations. This Agreement has been validly executed and delivered by such Vendor and is a valid and legally binding obligation enforceable against such Vendor in accordance with its terms and all other agreements required to be delivered under this Agreement when executed and delivered will have been validly authorized, executed and delivered by such Vendor and will thereupon be legal, valid and binding obligations enforceable against such Vendor in accordance with their respective terms, subject however, to the limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency, re-organization or other laws affecting creditors' rights generally, including the availability of equitable remedies such as specific performance and injunction which are only available in the discretion of the court from which they are sought and general equitable principles.

(4) Other Agreements. Except as set forth in Schedule 3.1(4), no Person, other than the Purchaser pursuant to this Agreement has any contract, or any right or privilege capable of becoming a contract, for the purchase, transfer or sale of any of the shares in the capital of the Company owned by such Vendor; at Closing, no Person, other than the Purchaser pursuant to this Agreement, will have any contract, or any right or privilege capable of becoming a contract, for the purchase, transfer or sale of any of the shares in the capital of the Company owned by such Vendor. Except as set out in the Shareholders Agreement and Schedule 3.1(4), such Vendor is not a party to or bound by any contract, or any other obligation whatsoever which limits or impairs such Vendor's ability to sell, transfer, assign or convey, or otherwise similarly affects the shares in the capital of the Company owned by such Vendor; at Closing, such Vendor will not be a party to or bound by any such contract or obligation. The execution and delivery of this Agreement or such other documents and agreements delivered or to be delivered by such Vendor under this Agreement and the transactions contemplated hereby and thereby will not result in the creation of any Liens on any Loyalty Shares owned by such Vendor, except as set forth in the Shareholders Agreement and in Schedule 3.1(4). Except as set out in the Shareholders Agreement and Schedule 3.1(4), none of such Vendor's Loyalty Shares are or will be, as of the Closing Time, subject to, nor were any of such Loyalty Shares issued (nor will any of such Loyalty Shares, as of the Closing Time, be issued) in violation of, any preemptive rights of stockholders of the Company or any right of first refusal or other similar right in favour of any Person. The delivery by such Vendor of the certificates representing its Loyalty Shares to the Purchaser at the Closing Time pursuant to Section 2.3 above, against payment therefor at the Closing Time pursuant to Section 2.4 above, will transfer valid title to such Loyalty Shares to the Purchaser, free and clear of any and all Liens. At the Closing Time such Vendor shall not be a party to any voting trust, voting agreement, proxy or similar agreement relating to any of such Vendor's Loyalty Shares.

(5) Regulatory Approvals. No Governmental Authorization, approval, order, consent or, except as contemplated by Section 2.5, filing is required on the part of such Vendor in connection with the execution, delivery and performance of this Agreement or such other documents and agreements to be delivered hereunder or the performance of such Vendor's obligations hereunder or thereunder.

(6) Residency. Such Vendor (other than any Non-Resident Vendor) is not a non-resident of Canada for purposes of Section 116 of the TAX ACT.

(7) Independent Legal Advice. Such Vendor, if an individual, has (i) been given the opportunity to conduct such investigation of the Company, its Assets, Business and books and records, and to consult with senior management of the Company, as such Vendor may have considered necessary in connection with the transactions contemplated herein and such Vendor's obligations hereunder, (ii) been given the opportunity to obtain independent legal advice with respect to this Agreement, the transactions contemplated hereby and the implications thereof, and (iii) has taken such action, if any, in this regard as such Vendor has considered appropriate.

(8) No Claims Against Company. At the Closing Time, such Vendor shall not, in its capacity as a shareholder of the Company, have any claims against the Company.

3.2 REPRESENTATIONS AND WARRANTIES RELATING TO THE COMPANY. Each of the Vendors represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying upon these representations and warranties in connection with the entering into of this Agreement and the purchase of the Loyalty Shares:

(1) Status of the Company and LMGTS. Each of the Company and LMGTS is a corporation duly incorporated and validly existing under the laws of Ontario and is a private company for the purposes of the SECURITIES ACT (Ontario).

(2) Qualification. Each of the Company and LMGTS is licensed or qualified to do business in each jurisdiction in which the location of its property and assets or the nature of the Business requires such licence or qualification, except to the extent that a failure to do so would not have a Material Adverse Effect, and no revocation of any such licence or qualification has been undertaken or, to the knowledge of the Vendors, been threatened. LMGTS is not as of the date of this Agreement registered under British Columbia travel industry legislation but is in the process of applying to become registered thereunder and such failure to be so registered will not result in a material fine or penalty being imposed upon the Company or LMGTS or any material limitation or disruption in the conduct of the Business. Each of the Company and LMGTS has full corporate power to carry on the Business and to own and operate its Assets as now carried on and owned and operated by it. The head office of the Company is not in the Province of Quebec.

(3) Authorized and Issued Capital. The authorized capital of the Company consists of 1,434,464 common shares, without nominal or par value of which 1,189,542 common shares are currently issued and outstanding as validly issued, fully paid and non-assessable common shares of the Company. At the Closing Time, assuming that all options set forth or reflected on Exhibit A-3 are exercised, there will be 1,434,464 validly issued and outstanding fully paid and non-assessable common shares of the Company.

(4) Ownership of LMGTS. The Company is, and at the Closing Time will be, the sole registered and beneficial owner of all of the issued and outstanding shares of LMGTS, with good and valid title thereto, free and clear of all Liens. No subscription, warrant, option, convertible security or other right (contingent or otherwise) to purchase or acquire any shares of any class of capital stock of LMGTS (whether from the Company or LMGTS or otherwise) is authorized or outstanding, there is not any commitment of LMGTS to issue any shares, warrants, options or other such rights or to distribute to holders of any class of its capital stock any evidences of indebtedness or assets and LMGTS has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or to make any other distribution in respect thereof. Neither LMGTS nor the Company is a party to any voting trust, voting agreement, proxy or similar agreement relating to the shares of LMGTS except for the unanimous shareholder agreement regarding LMGTS dated March 31, 1992.

(5) No Other Subsidiaries. Except as referred to in Schedule 3.2(5) and except for portfolio investments of amounts in the Reserve Fund, neither the Company nor LMGTS has (i) any interest in the shares, equity securities or other securities convertible into equity securities of any Person or (ii) any participating interest in any partnership, joint venture or other non-corporate business enterprise.

(6) No Agreement to Sell Shares and No Options. Except as disclosed or reflected in Schedule 3.2(6) and the Shareholders Agreement (i) no subscription, warrant, option, convertible security or other right (contingent or otherwise) to purchase or acquire from the Company any shares of any class of capital stock of the Company is authorized or outstanding, (ii) there is not any commitment of the Company to issue any shares, warrants, options or other such rights or to distribute to holders of any class of its capital stock any evidences of indebtedness or assets and (iii) the Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or to make any other distribution in respect thereof. Except as set forth in the Shareholders Agreement or as otherwise provided in this Agreement, the Company is not a party to any voting trust, voting agreement, proxy or similar agreement relating to any of the Loyalty Shares.

(7) Constating Documents and By-Laws. The Purchaser has been provided with access to true and complete copies of all the constating documents and by-laws and any and all amendments relating thereto of the Company and LMGTS, and such constating documents and by-laws as so amended are in full force and effect and no amendments are being made to same.

(8) Bankruptcy. Neither the Company nor LMGTS (i) is an insolvent person within the meaning of the BANKRUPTCY AND INSOLVENCY ACT (Canada), (ii) has made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, (iii) had any petition for a receiving order presented in respect of it, or (iv) has initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver has been appointed in respect of the Company or LMGTS or any of the Assets and no execution or distress has been levied upon any of the Assets.

(9) No Breach of Instruments or Laws. Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Vendors will result in a violation of:

(a) any of the provisions of the constating documents or by-laws of the Company or LMGTS;

(b) any contract or other agreement or instrument to which the Company is a party or by which it is bound except to the extent that any such contract or other agreement or instrument requires consent or other action in connection with the change of control of the Company as herein contemplated, and the only such contracts or other agreements or instruments which require such consent or other action are either (i) listed in Schedule 3.2(30), or (ii) of a nature that the failure to obtain any such consent will not result in a Material Adverse Effect; or

(c) any Applicable Laws of any jurisdiction to which the Company or LMGTS is subject.

(10) General Compliance with Laws. Each of the Company and LMGTS is conducting the Business in compliance with all Applicable Laws, the breach of which individually or in the aggregate would have a Material Adverse Effect.

(11) Financial Statements. The Financial Statements, true and complete copies of which are annexed as Schedule 3.2(11), have been prepared in accordance with GAAP, and fairly present the results of operations and financial position of the Company as at the date thereof and for the fiscal year then ended. Except as and to the extent (i) reflected on the audited consolidated balance sheet of the Company and its consolidated subsidiaries as of April 30, 1998, (ii) incurred since April 30, 1998 in the ordinary course of business consistent with past practice, (iii) set forth on Schedule 3.2(11) or (iv) that any such liabilities or obligations are not material to the operations of the Business, neither the Company nor LMGTS has any liabilities or obligations of any kind or nature, whether known or unknown, secured or unsecured, absolute, accrued, contingent or otherwise, and whether due or to become due, of a nature customarily accrued, reserved against or disclosed (including in the notes thereto) in a corporate balance sheet prepared in conformity with GAAP. Except as set forth in Schedule 3.2(11) or as otherwise specifically contemplated by this Agreement, since April 30, 1998, neither the Company nor LMGTS has:

(a) changed or amended its Articles of Incorporation or By-laws (or similar governing documents);

(b) incurred any obligation or liability (fixed or contingent), except normal trade or business obligations incurred in the ordinary course of business and consistent with past practice, none of which individually or in the aggregate is materially adverse;

(c) discharged or satisfied any material Lien or paid any material obligation or liability (fixed or contingent), other than in the ordinary course of business and consistent with past practice and other than the cancellation by the Company of its loan facility with BMO and the resulting release by BMO of the security it held for such loan facility;

(d) mortgaged, pledged or subjected to any Lien any of its assets or properties (other than as referred to in Section 3.2(13) below and other than in the ordinary course of business and consistent with past practice);

(e) transferred, leased or otherwise disposed of any of its material assets or properties except for a fair consideration in the ordinary course of business and consistent with past practice or, except in the ordinary course of business and consistent with past practice, acquired any material assets or properties;

(f) declared, set aside or paid any dividend or other distribution (whether in cash, stock or property or any combination thereof but not including any deemed dividend arising by virtue of the Company paying expenses in connection with the transactions contemplated hereby in an aggregate amount not exceeding $160,000, which expenses shall be reimbursed by the Selling Shareholders to the Company at Closing) in respect of its capital stock or redeemed or otherwise acquired any of its capital stock or split, combined or otherwise similarly changed its capital stock or, except as contemplated in Exhibit A-3, authorized the creation or issuance of or issued or sold any shares of its capital stock or any securities or obligations convertible into or exchangeable for, or giving any Person any right to acquire from the Company or LMGTS, any shares of its capital stock, or agreed to take any such action;

(g) except for investments of the Reserve Fund in the ordinary course of business, made any investment of a capital nature either by purchase of stock or securities, contributions to capital, property transfers or otherwise, or by the purchase of any material property or assets of any other individual, firm or corporation (except for purchases made in the ordinary course of business);

(h) cancelled or compromised any debt or claim other than in the ordinary course of business consistent with past practice;

(i) waived or released any rights of material value;

(j) other than under Sponsor agreements entered into in the ordinary course of business and consistent with past practice, transferred or granted any rights under or with respect to any Intellectual Property or permitted any license, permit or other form of authorization relating to any Intellectual Property to lapse;

(k) other than in the ordinary course of business and consistent with past practice, made or granted any wage or salary increase applicable to any group or classification of employees generally, entered into any employment contract with, or made any loan to, or entered into any material transaction of any other nature with, any officer or other employee of the Company or LMGTS it being acknowledged that the Company may during the Interim Period enter into any such employment contract subject to and in accordance with the provisions of Section 5.5 hereof;

(l) except for the execution of agreements with Sponsors in the ordinary course of business and the execution of a Supplier agreement with Northwest Airlines, entered into any transaction, contract or commitment that, individually or in the aggregate, are material, except (i) contracts listed, or which pursuant to the terms hereof are not required to be listed, on Schedule 3.2(15)(a) or (b), 3.2(17) or 3.2(18) and (ii) this Agreement and the transactions contemplated hereby;

(m) suffered any casualty loss or damage (whether or not such loss or damage shall have been covered by insurance) which affects in any material respect its ability to conduct its business; or

(n) suffered any material adverse change in its business, operations or condition (financial or otherwise).

(12) No Guarantee, Etc. Neither the Company nor LMGTS is a party to or bound by any contract of guarantee, indemnification, assumption or endorsement of the obligations (contingent or otherwise) or indebtedness of any other Person other than any such contract entered into in the ordinary course of business not exceeding $100,000 in the aggregate and except for any guarantees or other like obligations given by the Company in respect of the obligations of LMGTS none of which exceed $100,000 in the aggregate.

(13) Title to Assets. The Company or LMGTS is the owner of or entitled to use its Assets (other than the Intellectual Property which is addressed in Section 3.2 (18)), with good and valid title thereto, free and clear of any and all Liens, other than: (a) Liens arising by operation of law in the ordinary course of business; (b) the contractual rights of the lessor under any Real Property Lease or Personal Property Lease; (c) Liens on Assets securing (i) indebtedness assumed or incurred to lease such Assets or to provide or satisfy all or part of the purchase price of such Assets, or (ii) any extension, renewal or refinancing of the balance of such indebtedness from time to time; (d) Liens disclosed on Schedule 3.2(13). There is no agreement, option or other right or privilege outstanding in favour of any Person for the purchase from the Company or LMGTS of the Business, or of any of the Assets out of the ordinary course of business.

(14) Sufficiency of Assets. To the knowledge of the Vendors, no asset material to the Business has been disposed of since April 30, 1998 except in the ordinary course of business and the Assets constitute all of the assets and property used by the Company and LMGTS to operate the Business. The tangible personal property, fixtures and equipment included in the Assets are (i) in all material respects in a good state of repair (ordinary wear and tear excepted) and operating condition, and (ii) sufficient and adequate in all material respects to conduct the Business as conducted on the date of this Agreement.

(15) Leases.

(a) Schedule 3.2(15)(a) contains a complete and accurate list of all Real Property Leases. The current use of the Leased Premises is in compliance with, and is not in violation of, any material covenants, conditions, restrictions or easements affecting the Leased Premises or with respect to the use or occupancy of the Leased Premises.

(b) Schedule 3.2(15)(b) attached hereto contains a complete and accurate list of all material Personal Property Leases and certain other non-material Personal Property Leases.

(c) Neither the Company nor LMGTS is in default or breach of, nor has it received any notice of default or termination under, any Real Property Lease or Personal Property Lease and there exists no state of facts which after notice of lapse of time or both would constitute such a default or breach except in each case where any such default or breach would not result in a Material Adverse Effect.

(16) Environmental Compliance. Each of the Company and LMGTS is in material compliance with all environmental laws which are applicable in relation to the operation of the Business (collectively, the "ENVIRONMENTAL LAWS") including any such environmental laws relating to a discharge, spill or other release, whether actual or potential, of any contaminant (as defined in the ENVIRONMENTAL PROTECTION ACT (Ontario) and any other applicable legislation existing as of the date hereof). The Business and the Assets are not the subject of any governmental or regulatory remedial or control action or order or, to the knowledge of the Vendors, any investigation or evaluation concerning an environmental matter. Since the date of lease by the Company or LMGTS, the Leased Premises have not been and are not now used as a landfill or waste disposal site, nor to the knowledge of the Vendors, has any hazardous substance or contaminant ever been deposited in or disposed of on, the Leased Premises, nor, to the knowledge of the Vendors, has there ever been any release, spill or discharge of any contaminant which would give rise to any action or claim relating to violation of any such Environmental Laws or other requirements.

(17) Material Contracts. Neither the Company nor LMGTS is in default or breach of any material provision of any Material Contract nor has it received any notice of any such breach or default or termination under, any Material Contract and, to the knowledge of the Vendors, there exists no state of facts which after notice or lapse of time or both would constitute such a default or breach. Except for the Material Contracts, neither the Company nor LMGTS is a party to any (i) Contract which involves the payment to or by the Company or LMGTS of more than $10,000,000 over the term of the Contract or more than $3,000,000 during any year of the Contract, (ii) any loan agreement, trust indenture or guarantee relating to the Company or LMGTS, (iii) warranties by the Company of LMGTS in excess of those customary in the Business or (iv) except for restrictions entered into with Sponsors in the normal course of business and except for the License Agreements which only extend rights to the Company with respect to Canada, material restrictions on the ability of the Company and/or LMGTS to conduct the Business in any geographic location. All material provisions of each Material Contract are valid and enforceable obligations of the Company and/or LMGTS, as the case may be, and, to the knowledge of the Vendors, of the other parties thereto, subject however to the limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally, including the availability of equitable remedies such as specific performance and injunction which are only available in the discretion of the court from which they are sought and general equitable principles. The statements set out in Schedule 3.2(17) respecting certain undisclosed Material Contracts are true and correct in all material respects.

(18) Intellectual Property.

(a) Schedule 3.2(18) contains a complete and accurate listing of all (i) registrations, applications and licenses (other than licenses to or from Sponsors) forming part of the Intellectual Property and that are material to the carrying on of the Business and the registered owner thereof (in the case of Trade-Marks) or the parties thereto in the case of licenses, and (ii) Owned Software and Licensed Software that is material to the carrying on of the Business. All of the registered Trade-Marks Relating to the Business are duly and validly registered in Canada. The Intellectual Property is not subject to lien, mortgage, charge, hypothec, pledge or security interest and all royalties due and payable by the Company with respect to any Intellectual Property licensed by it have been paid in full or accrued in the Financial Statements.

(b) Except as disclosed on Schedule 3.2(18):

(i) the Company and LMGTS own, or are licensed to use, or to the Vendors knowledge otherwise possess legally enforceable rights to use or, in the case of Intellectual Property under development, obtain the right to use, all Intellectual Property that is (A) material to the conduct of the Business currently conducted by the Company and LMGTS or (B) to the knowledge of the Vendors, under development for and material to the Business;

(ii) to the knowledge of the Vendors, the Intellectual Property and the conduct of the Company or LMGTS in connection with the Intellectual Property do not infringe upon or breach the intellectual property rights of any other Person;

(iii) to the knowledge of the Vendors, there has been no unauthorized or improper use by the Company of the Trade-Marks which has affected or will affect the distinctiveness thereof or rights therein;

(iv) to the knowledge of the Vendors, no Person is infringing or breaching any of the Trade-Marks; and

(v) neither the Company nor LMGTS has received any written notice challenging the Company or LMGTS respecting the validity of, use of or ownership of the Intellectual Property, and to the knowledge of the Vendors, there are no facts upon which such a challenge could be made.

(c) Except as set forth in Schedule 3.2(18), the Company and LMGTS possess or have access to the source and object code for all Owned Software which is material to the conduct of the Business. Upon consummation of the transactions contemplated by this Agreement, the Company and LMGTS will continue to own all of such Owned Software, free and clear of all Liens. None of the agreements for the license to the Company of Licensed Software which is material to the conduct of the Business require consents or other actions as a result of the consummation of the transactions contemplated by this Agreement in order for the Company and LMGTS to continue to be entitled to use and operate such Licensed Software after the Closing Date.

(d) Any programs, modifications, enhancements or other inventions, improvements, discoveries, methods or works of authorship included in the Owned Software that were created by employees of the Company or LMGTS were made in the regular course of such employees' employment with the Company and LMGTS using the Company's and LMGTS' facilities and resources.

(e) The Company and/or LMGTS has conducted an inventory of the Owned and Licensed Software, as well as the hardware and embedded microcontrollers in non-computer equipment used by the Company and LMGTS in connection with and material to the operation of the Business (collectively, the "Computer Systems") in order to determine which parts of the Computer Systems are not Year 2000 Compatible (as defined below) and to estimate the cost of rendering such Computer Systems Year 2000 Compatible prior to January 1, 2000. Based on the above-referenced inventory, the Vendors represent and warrant that the Computer Systems are either Year 2000 Compatible or that it is the reasonable expectation of the Vendors that they will be Year 2000 Compatible prior to July 1, 1999; the estimated cost of rendering the Computer Systems Year 2000 Compatible is $520,000, of which approximately $400,000 has been or will be incurred by the Company through allocation of resources otherwise available from Rapp Collins Worldwide Limited Partnership and approximately $120,000 has been or will be incurred directly by the Company and/or LMGTS. "Year 2000 Compatible" means that the Computer Systems to the extent required for their particular use (i) correctly perform date data century recognition, and calculations that accommodate same century and multi-century formulas and date values; (ii) operate or are expected to operate on a basis comparable to their current operation during and after the calendar year 2000 A.D., including, but not limited to, leap years; and (iii) shall not end abnormally or provide invalid or incorrect results as a result of date data which represents or references different centuries or more than one century.

(19) Litigation. Except as set out on Schedule 3.2(19), there are no material outstanding claims, actions, suits, litigation, arbitrations, investigations or proceedings at law or equity or before any Governmental Body existing or, to the knowledge of the Vendors, threatened:

(i) against or relating to the Company, LMGTS, the Business or any of the Assets or the right to use and enjoy the same; or

(ii) which would enjoin, restrict or prohibit the consummation of the transactions contemplated by this Agreement.

(20) Insurance. Particulars of the policies of insurance maintained by the Company and LMGTS at the date of this Agreement are set out in Schedule 3.2(20). All such policies are in full force and effect and neither the Company nor LMGTS is in default, whether as to the payment of premiums or otherwise, under the terms of such policies so as to entitle the relevant insurer to terminate any such policy of insurance or deny coverage thereunder. Except as set forth in Schedule 3.2(20) all such policies will remain in full force and effect and will not in any way be affected by, or terminate or lapse by reason of, any of the transactions contemplated by this Agreement.

(21) Employees and Employment Contracts. Schedule 3.2(21) lists: (i) the senior management Employees as of the date of this Agreement and the birth date, position, date of hire and compensation of each of them, respectively, and (ii) a category description of all other Employees together with the approximate number of Employees, the salary range and the average salary within each such category. Except as set out in Schedule 3.2(21), and other than oral contracts for indefinite hire terminable on notice or by pay in lieu thereof in accordance with the requirements of Applicable Laws, neither the Company nor LMGTS is a party to or bound by:

(a) any contracts for the employment or statutorily required re-employment of any Employee; or

(b) any collective bargaining agreement, contract or legally binding commitment to any trade union or employee organization or group in respect of or affecting the Employees.

(22) Employee Plans.

(a) Schedule 3.2(22) lists all the employee benefit, health, welfare, supplemental unemployment benefit, bonus, pension, profit sharing, deferred compensation, stock compensation, stock purchase, retirement, hospitalization insurance, medical, dental, legal, disability and similar plans or arrangements or practices applicable to the Employees or former Employees which are currently maintained or participated in by the Company or LMGTS (the "EMPLOYEE PLANS"). None of the Employee Plans is a "registered pension plan" within the meaning of subsection 248(1) of the TAX ACT.

(b) Except as disclosed on Schedule 3.2(22) and except that the Company is planning to introduce a new drug card, neither the Company nor LMGTS has any formal plan or commitment whether legally binding or not, to create any additional Employee Plan or to modify or change in any material respect any existing Employee Plan that would affect any Employee or former Employee except such modification or amendment as may be required to be made to secure the continued registration of any existing Employee Plan with each applicable Governmental Body.

(c) All of the Employee Plans are registered where required by, and are in good standing under, all Applicable Laws or other legislative, administrative or judicial promulgations applicable to the Employee Plans.

(d) No amendments to any Employee Plan have been promised and no amendments to any Employee Plan will be made or promised prior to Closing which affect or pertain to the Employees, except as contemplated in the ECB and VCB.

(e) Copies of all the Employee Plans as amended as of the date hereof and, if available, current plan summaries and employee booklets in respect thereof as are applicable to the Employees have been made available to the Purchaser.

(f) Except as disclosed on Schedule 3.2(22), no Employee Plan provides benefits, including death or medical benefits (whether or not insured), with respect to Employees or former Employees beyond retirement or other termination of service, other than:

(i) coverage required by Applicable Law, or

(ii) benefits the full cost of which is borne by the Employee or Former Employee (or his beneficiary).

(g) Except as disclosed on Schedule 3.2(22), to the knowledge of the Company and LMGTS, there are no material pending, threatened or anticipated claims, proceedings, reviews or investigations relating to any of the Employee Plans (other than routine claims for benefits).

(h) With respect to each Employee Plan that is funded wholly or partially through an insurance policy, there will be no liability of the Company or LMGTS as of the Closing Date, under any such insurance policy or ancillary agreement with respect to such insurance policy in the nature of a retroactive rate adjustment, loss sharing arrangement or other actual or contingent liability arising wholly or partially out of events occurring prior to the Closing Date other than the obligation to pay premiums thereunder. With respect to each Employee Plan not funded through an insurance policy other than with respect to the ECB and the VBC, the Company or LMGTS has either fully funded such Employee Plan through a trust or, where required by generally accepted accounting principles, has made appropriate provision for all liability thereunder as at April 30, 1998 in the Financial Statements. All employee contributions to the Employee Plans to the date hereof in all material respects have been properly withheld by the Company or LMGTS, as appropriate, and have been fully paid into the funding arrangements for the respective Employee Plan.

(i) Each Employee Plan and fund established thereunder has been administered and invested in accordance with the terms of the Employee Plan and funding agreement. Each Employee Plan (including all amendments thereto) is duly registered where required by, and is in good standing under, and has been administered and invested in compliance in all material respects with all Applicable Laws.

(j) Except in connection with the ECB and the VBC and except for the acceleration of outstanding options to acquire Loyalty Shares, the consummation of the transactions contemplated by this Agreement will not accelerate the time of payment or vesting under any Employee Plan, require the funding or securing of any benefits under any Employee Plan, or increase the amount of compensation due any Employee.

(k) No participant in the ECB or the VCB will be entitled to any future entitlements under either the ECB or the VCB by virtue of a change of a control of the Company other than the change of control of the Company to be effected pursuant hereto.

(23) Sponsors. Schedule 3.2(23) lists the 12 largest Sponsors of the Company, based on projected annual revenue for the fiscal year of the Company ending April 30, 1999. The Company has not received written notice of any intention on the part of any such Sponsor to cease doing business with the Company or to terminate its Sponsor agreement with the Company.

(24) Taxes Paid. Each of the Company and LMGTS has paid in full all Taxes required to be paid on or prior to the date hereof and has made adequate provision in the Financial Statements in accordance with GAAP for the payment of all Taxes in respect of all fiscal periods ending on or before the date thereof. Each of the Company and LMGTS will, after the date hereof to and including the Closing Date, pay all Taxes becoming due and payable during such period. For the purposes of this Section 3.2(24), Taxes includes all such Taxes as may arise by reason of an assessment or reassessment received after the date hereof. Each of the Company and LMGTS is a private corporation and a taxable Canadian corporation for the purposes of the TAX ACT. Each of the Company and LMGTS is a registrant for the purposes of the goods and services tax provided for under the EXCISE TAX ACT.

(25) Tax Filings.

(a) Each of the Company and LMGTS has prepared and filed on time with all appropriate Governmental Bodies all Tax Returns, declarations, remittances, information returns and reports required to be filed by or on behalf of the Company and LMGTS in respect of any Taxes for all fiscal periods ending prior to the date hereof and will continue do so in respect of any fiscal period ending on or before the Closing Date. All such returns, declarations, remittances, information returns and reports are correct and complete in all material respects, and no material fact has been omitted therefrom. No extension of time in which to file any such returns, declarations, remittances, information returns or reports is in effect. There are no reassessments of the Company's Taxes or LMGTS' Taxes that have been issued and are outstanding and which have not been paid.

(b) (i) No federal, provincial, state, local or foreign Tax Return of the Company or LMGTS is currently the subject of an audit or examination by any taxing authority, (ii) no administrative or court proceedings are currently in progress or, to the knowledge of the Vendors, pending against the Company or LMGTS with respect to any Taxes and (iii) no deficiency or adjustment for any Taxes has been proposed, asserted or assessed against the Company or LMGTS which has not been paid or satisfied; provided however that with respect to the foregoing clauses (b)(i) and (b)(ii), the Company was advised by a phone call received from Revenue Canada on June 23, 1998 that Revenue Canada proposes to conduct an audit in respect of the Company's 1996 and 1997 tax years which audit is expected to commence in the fall of 1998. The statute of limitations or reassessment period for the assessment of income Taxes with respect to the Company has expired in accordance with applicable law.

(c) Neither the Company nor LMGTS has ever requested or received a Tax ruling (other than a determination with respect to a qualified employee benefit plan) or entered into a legally binding agreement (such as a closing agreement) with a taxing authority, which ruling or agreement could have an effect on the Taxes of the Company or LMGTS after the Closing.

(d) No extensions of time have been granted to the Company to file any Tax Return which has not yet been filed and no waiver or consent extending any statute of limitations for the assessment or collection of any Taxes, which waiver or consent remains in effect, has been executed by or on behalf of the Company, nor are any requests for such waivers or consents pending.

(e) Neither the Company nor LMGTS has incurred any Tax liabilities other than Tax liabilities arising in the ordinary course of carrying on its Business since the date of the Financial Statements and from that date to and including the Closing Date will not incur any Tax liabilities other than in the ordinary course of carrying on its Business.

(f) All Taxes owed by each Selling Shareholder if such Selling Shareholder's failure to pay any such Taxes could result in liability to the Company have been paid to the appropriate taxing authorities.

(g) The Company has never (i) been a member of any consolidated, combined or unitary group for United States federal, state, local or foreign Tax law purposes or (ii) been a party to any Tax-sharing or allocation agreement.

(26) Withholdings and Remittances. Each of the Company and LMGTS has withheld from each payment made to any of its present or former Employees, Officers and Directors, all amounts, including applicable Taxes, required to be withheld by Applicable Law or any interpretation or administration thereof, and furthermore, has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Body. Each of the Company and LMGTS has charged, collected and remitted on a timely basis all Taxes as required under Applicable Law on any sale, supply or delivery whatsoever, made by the Company and LMGTS.

(27) Regulatory Approvals. Except as set forth in Schedule 3.2(30), no Governmental Authorization is required to be obtained on the part of the Company or LMGTS in connection with the execution, delivery and performance of this Agreement or any other documents and agreements to be delivered hereunder, or is necessary in order that the Business can be conducted immediately following the Closing Date substantially in the same manner as heretofore conducted.

(28) Licences and Permits. Schedule 3.2(28) lists the material Licences and Permits. All material Licences and Permits are in full force and effect, neither the Company nor LMGTS is in violation of any material term or provision or requirement of any such Licences and Permits, and to the knowledge of the Vendors, no Person has threatened to revoke, amend or impose any condition in respect of, or commence proceedings to revoke, amend or impose conditions in respect of, any such Licence or Permit. Except as set forth in Schedule 3.2(28), all such Licences and Permits will remain in full force and effect and will not in any way be affected by, or terminate or lapse by reason of, any of the transactions contemplated by this Agreement.

(29) Safety Deposit Box/Powers of Attorney. Schedule 3.2(29) lists:

(a) the name of each bank, trust company and other financial institution in which the Company or LMGTS holds accounts or a safety deposit box and the names of every Person authorized to draw thereon or to have access thereto; and

(b) the name of each Person holding a general or special power of attorney from the Company or LMGTS and a summary of the terms thereof.

(30) Consents and Approvals. Except as disclosed on Schedule 3.2(30), no consent or approval is required to be obtained by the Company (i) from any Governmental Body in connection with the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement, or (ii) under the terms of any Material Contract as a result of a change of control of the Company.

(31) Non-Arm's Length Contracts. Neither the Company nor LMGTS is a party to any Contract with any Person with whom it does not deal at arm's length nor is it indebted to any such Person, except for Contracts (i) entered into in the ordinary course of business on normal commercial terms, or (ii) Contracts disclosed on Schedule 3.2(31).

(32) Minute Books and Stock Record Books. The corporate minute books and stock record books of the Company and LMGTS (i) are in all material respects complete and correct and accurately reflect in all material respects action taken at all meetings of the stockholders and Board of Directors of the Company and LMGTS and each committee (if any) of such Boards of Directors, and (ii) properly and accurately record the issuance and transfer of all shares of capital stock of the Company and LMGTS.

(33) Broker's or Finders' Fees. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by the Vendors with the Purchaser without the intervention of any Person on behalf of the Vendors or the Company in such manner as to give rise to any claim by any Person against the Company or the Purchaser for a finder's fee, brokerage commission or similar payment, other than Salomon Smith Barney Inc. and Nesbitt Burns Inc., whose fees, compensation and expenses shall be solely for the account of, and paid directly by, Selling Shareholders.

3.3 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The Purchaser represents and warrants to the Vendors as follows and acknowledges that the Vendors are relying upon these representations and warranties in connection with the entering into of this Agreement and the sale of the Loyalty Shares:

(1) Incorporation and Power. The Purchaser is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

(2) Due Authorization. The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to perform its obligations under this Agreement and such other agreements and instruments. The execution and delivery of this Agreement and such other agreements and instruments and the completion of the transactions contemplated by this Agreement and such other agreements and instruments have been duly authorized by all necessary corporate action on the part of the Purchaser.

(3) No Breach of Instruments or Laws. Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in a material violation of:

(a) any of the provisions of the constating documents or by-laws of the Purchaser;

(b) any contract or other agreement or instrument to which the Purchaser is a party or by which the Purchaser is bound; or

(c) any Applicable Laws of any jurisdiction to which the Purchaser is subject.

(4) Regulatory Approvals. Except as disclosed on Schedule 3.3(4), no Governmental Authorization is required to be obtained on the part of the Purchaser in connection with the execution, delivery and performance of this Agreement or any other documents and agreements to be delivered hereunder or the performance of the obligations of the Purchaser hereunder or thereunder.

(5 Financing. The Purchaser has access to all funds necessary for the consummation of the purchase contemplated by this Agreement and will upon request provide evidence thereof satisfactory to the Vendors, acting reasonably.

(6 Enforceability of Obligations. This Agreement has been validly executed and delivered by the Purchaser and is a valid and legally binding obligation enforceable against the Purchaser in accordance with its terms and all other agreements required to be delivered under this Agreement when executed and delivered will have been validly authorized, executed and delivered by the Purchaser and will thereupon be legal, valid and binding obligations enforceable against the Purchaser in accordance with their respective terms, subject however, to the limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally, including the availability of equitable remedies such as specific performance and injunctions which are only available in the discretion of the court from which they are sought and general equitable principles.

(7 Litigation. There are no outstanding claims, actions, suits, litigation, arbitrations, investigations or proceedings at law or equity or before any Governmental Body existing or, to the knowledge of the Purchaser, pending which would enjoin, restrict or prohibit the purchase of the Loyalty Shares or any portion thereof by the Purchaser as contemplated hereunder.

3.4 SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

(1 Vendors' Representations and Warranties. The representations and warranties of the Vendors contained in Sections 3.1 and 3.2, or any other agreement, certificate or instrument delivered pursuant to this Agreement shall survive the Closing and, notwithstanding the Closing and any inspection or inquiries made by or on behalf of the Purchaser, shall continue in full force and effect for the benefit of the Purchaser, for a period of 15 months from the Closing Date after which time the Vendors shall be released from all obligations in respect of such representations and warranties provided, however, that notwithstanding the foregoing provisions of this Section 3.4(1), (i) the representations and warranties made by the Vendors in Section 3.1 and clauses (3), (4) and (6) of Section 3.2 shall survive indefinitely, (ii) the representations and warranties made by the Vendors in clauses (24), (25) and (26) of Section 3.2 shall survive until the date 6 months following the expiration of the applicable statute of limitations or reassessment period relating thereto after which time the Vendors shall be released from all obligations in respect of such representations and warranties, (iii) the representations and warranties made by the Vendors in clause (18) of Section 3.2 shall survive for a period of 24 months from the Closing Date after which time the Vendors shall be released from all obligations in respect of such representations and warranties; and (iv) any claim for indemnification based on any breach of a representation and/or warranty made in writing (setting out in reasonable detail the nature of the claim and the appropriate amount of such claim) prior to the expiration of such representation and warranty shall be permitted to continue until finally resolved (by means of a final non-appealable judgment of a court of competent jurisdiction or a settlement approved by the parties involved) even if such resolution occurs after the expiration of such representation and warranty.

(2 Purchaser's Representations and Warranties. The representations and warranties of the Purchaser contained in Section 3.3 or any other agreement, certificate or instrument delivered pursuant to this Agreement shall survive the Closing and, notwithstanding the Closing, shall continue in full force and effect for the benefit of the Vendors, indefinitely.

(3 Interpretation. Any disclosure made in this Agreement or any Schedule or Exhibit hereto shall be deemed to have been made to apply to all representations and warranties set forth in this Agreement and any document delivered at or subsequent to the Closing Time as provided in or pursuant to this Agreement as long as all required information is so disclosed.

ARTICLE 4

INDEMNIFICATION

4.1 INDEMNIFICATION BY THE VENDORS.

(1) Each Vendor shall indemnify and save harmless the Purchaser from and against all claims, actions, suits, losses, costs, damages, expenses and liabilities, including reasonable legal fees (collectively "CLAIMS"), suffered by the Purchaser as a result of or in connection with:

(a) any breach of or non-fulfilment of any covenant or agreement of such Vendor contained in this Agreement or under any other agreement or instrument executed or delivered by such Vendor pursuant to this Agreement; and

(b) any breach of or inaccuracy or misrepresentation in any representation or warranty of such Vendor set forth in Section 3.1 of this Agreement.

(2) Each Vendor shall severally and separately indemnify and save harmless the Purchaser from and against all Claims suffered by the Purchaser as a result of or in connection with any breach of or inaccuracy or misrepresentation in any representation or warranty of the Vendors set forth in Section 3.2 of this Agreement; provided that each Vendor shall only be responsible for that portion of any Claim equal to the amount of such Claim multiplied by such Vendor's Proportionate Share, and without limiting the generality of the foregoing, if either the Company or LMGTS suffers an assessment or a reassessment of Taxes for and in respect of a taxation year ended prior to the date hereof, which assessment or reassessment ultimately results in an increase in Taxes for and in respect of such taxation year in excess of any provision relating thereto contained in the Financial Statements, such increase in Taxes (to the extent in excess of any such provision) shall be deemed to be a Claim for the purposes of this Section 4.1(2) and the amount of such Claim shall be equal to such increase in Taxes (to such extent) subject to reduction by the value of any directly related deduction, tax credit, refund or similar directly related benefit enjoyed or to be enjoyed by the Company or LMGTS or their respective successors; provided, however, if the Claim derives from the disallowance by Revenue Canada of all or any portion of a reserve taken as a deduction in computing income for tax purposes, the amount of the Claim is hereby agreed to be the total of any interest or penalties assessed by the applicable tax authorities in respect thereof, plus an amount equal to:

$$\text{disallowed reserve deduction as at April 30, 1998} \times .446 \times (1.065^{(4)} - 1)$$

In addition, if either the Company or LMGTS suffers an assessment or reassessment of Taxes for and in respect of its taxation year ending by reason of the acquisition of the shares of the Company by the Purchaser as herein contemplated, which assessment or reassessment ultimately results in Taxes for such taxation year in excess of the Taxes payable for such year computed on a basis consistent with previous taxation years of the Company or LMGTS, as the case may be, such increase in Taxes, to the extent in excess of any provision relating thereto in the Financial Statements, shall be deemed to be a Claim for the purposes of this Section 4.1(2) and the amount of such Claim shall be equal to such excess (to such extent) subject to reduction by the value of any directly related deduction, tax credit, refund or similar directly related benefit enjoyed or to be enjoyed by the Company or LMGTS or their respective successors); provided, however, if the Claim derives from the disallowance by Revenue Canada of all or any portion of a reserve taken as a deduction in computing income for tax purposes, the amount of the Claim is hereby agreed to be the total of any interest or penalties assessed by the applicable tax authorities in respect thereof, plus an amount equal to:

disallowed reserve deduction x .446 x (1.065(4) - 1)
in respect of such year

Notwithstanding anything else contained herein, none of the Vendors shall have any liability with respect to any increase in Taxes which arises as a result of any change in the accounting policies of the Company or basis for computation of Taxes, (other than any such change which is required by Revenue Canada and other than any such change which is required by the auditors of the Company acting reasonably and in accordance with GAAP), including any decision by the Company to lower the rate at which it reserves for its redemption liability, and any resulting reassessment by Revenue Canada of Taxes payable for previous years. Notwithstanding any other provision of this Agreement, the Vendors shall have no obligation or liability under the indemnities in this Agreement for any assessment or reassessment resulting from the amendment of any Tax Returns filed by the Company or any successor thereto for any taxation year or other taxable period (or portion thereof) ending on or before the Closing Date, unless such amendment is consented to in writing by the Vendors.

4.2 LIMITATIONS ON INDEMNIFICATION BY VENDORS. Notwithstanding the foregoing or any other provision in this Agreement, the obligation of the Vendors to indemnify the Purchaser pursuant to Sections 4.1(1)(b) and 4.1(2) above shall be subject to and limited by each of the following qualifications:

(1 except with respect to any claim(s) for indemnification for breach of any representation or warranty made by any Vendor pursuant to clauses (24), (25) and (26) of Section 3.2 no claim(s) for indemnification shall be made until the aggregate of all such claim(s) exceeds an amount equal to $1,000,000, at which time the Purchaser shall be entitled to claim the full amount of the claim or claims;

(2 the maximum aggregate liability of each Vendor (i) with respect to any claim(s) for indemnification for breach of any representation or warranty made by such Vendor pursuant to Section 3.1(2) or made by the Vendors pursuant to clauses (3), (4), (6), (18), (24), (25) and (26) of Section 3.2 shall be limited to an amount equal to 100% of the portion of the Purchase Price payable to such Vendor, and (ii) otherwise shall be limited to an amount equal to 15% of the amount obtained by multiplying such Vendor's Proportionate Share by the Purchase Price; provided that in any event, the maximum aggregate liability of each Vendor for all indemnity obligations at any time or times under either or both of Sections 4.1(1)(b) and 4.1(2), shall not exceed an amount equal to the portion of the Purchase Price payable to such Vendor and for the purpose of this Section 4.2(2), a Vendor's Proportionate Share of any part of the Escrow Amount paid to the Purchaser pursuant to the Escrow Agreement shall be considered a liability incurred by such Vendor and shall be allocated to either clauses (i) or (ii) of this Section 4.2(2), as applicable depending upon the nature of the Claim which gave rise to such liability;

(3 the Vendors shall be given a reasonable opportunity to remedy any breach of representation, warranty or covenant capable of being remedied before any indemnity obligation will arise;

(4 the Vendors' obligations to compensate the Purchaser for any claim for indemnification shall be reduced to the extent of the amount of any reserve accrued in the Financial Statements, provided and to the extent that such reserve relates specifically to the subject matter of such claim.

4.3 INDEMNIFICATION BY THE PURCHASER. The Purchaser shall indemnify and save harmless each Vendor from and against all Claims suffered by such Vendor as a result of or in connection with:

(1 any breach of or non-fulfilment of any covenant or agreement of the Purchaser contained in this Agreement or under any other agreement or instrument executed or delivered by the Purchaser pursuant to this Agreement; and

(2 any breach of or inaccuracy or misrepresentation in any representation or warranty set forth in Section 3.3 of this Agreement.

4.4 LIMITATIONS ON INDEMNIFICATION BY THE PURCHASER. Notwithstanding the foregoing or any other provision in this Agreement, the obligation of the Purchaser to indemnify the Vendors pursuant to Section 4.3(2) above shall be subject to and limited by each of the following qualifications:

(1 no claim(s) for indemnification shall be made until the aggregate of all such claim(s) exceeds an amount equal to $1,000,000 at which time the Vendors shall be entitled to claim the full amount of the claim or claims;

(2 the maximum aggregate liability of the Purchaser to a Vendor shall be limited to an amount equal to 100% of the amount obtained by multiplying such Vendor's Proportionate Share by the Purchase Price; and

(3 the Purchaser shall be given a reasonable opportunity to remedy any breach of representation, warranty or covenant capable of being remedied before any indemnity obligation will arise.

4.5 EXCLUSIVE REMEDY. Each Party hereby acknowledges and agrees that its sole remedy with respect to any and all claims under or in connection with this Agreement or the transactions contemplated hereby, including any claims relating to the Company, LMGTS, the Business, the Assets, the Loyalty Shares or the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Agreement, except in the case of fraud. In furtherance of the foregoing, each Party hereby waives, to the fullest extent permitted by law, any and all other rights and causes of action it may have against the other Parties or its officers, directors, employees, agents, representatives and Affiliates under or in connection with this Agreement or relating to the transactions contemplated hereby (whether in contract, tort or otherwise), including any claims relating to the Company, LMGTS, the Business, the Assets, the Loyalty Shares or the subject matter of this Agreement.

4.6 ADJUSTMENT FOR TAX EFFECT. To the extent that a Party (in this Section 4.6, the "INDEMNIFYING PARTY") becomes liable to pay any amount for which any other Person (in this Section 4.6, the "INDEMNIFIED PARTY") can claim indemnification hereunder, and such amount is deductible by the Indemnified Party for income tax purposes, the Indemnifying Party shall, notwithstanding any other provision hereof, be obligated to pay the Indemnified Party only the loss which the Indemnified Party actually suffered after having regard to the effect of such deductions.

4.7 INDEMNIFICATION PROCEDURE.

(1 Third Party Claims. In the case of claims or demands made by a third party with respect to which indemnification is sought hereunder, the Party seeking indemnification shall give prompt written notice to the Party from whom indemnification is sought of any such claims or demands made upon it (and in any event shall notify such Party within 10 days of first learning of such claims or demands), provided that in the event of a failure to give such notice, such failure shall not preclude the Party seeking indemnification to obtain such indemnification but its right to indemnification shall be reduced to the extent that such delay prejudiced the defence of the claim or demand or increased the amount of liability or cost of defence and provided that, notwithstanding anything else herein contained, no claim for indemnity in respect of the breach of any representation or warranty contained herein may be made unless such claim has been made prior to the expiry of the survival period applicable to such representation and warranty pursuant to Sections 3.4(1) or (2), as the case may be.

(2 Control of Claim. A Party (in this Article 4, the "INDEMNIFYING PARTY") who is given notice from another Party (in this Article 4, the "INDEMNIFIED PARTY") of a claim or demand in respect of which indemnification is sought, shall have the right, by notice to the Indemnified Party given not later than 30 days after receipt of the notice, to assume the control of the negotiation, settlement, defence or compromise of the claim or demand.

(3 Negotiations. Upon the assumption of control of any claim or demand by the Indemnifying Party, the Indemnifying Party shall diligently proceed with the negotiation, settlement, defence or compromise of the claim or demand at its sole expense and, in connection therewith, the Indemnified Party shall cooperate fully, but at the expense of the Indemnifying Party with respect to any out-of-pocket expenses incurred, to make available to the Indemnifying Party all pertinent information and witnesses under the Indemnified Party's control, make such assignments and take such other steps as in the opinion of counsel for the Indemnifying Party are reasonably necessary to enable the Indemnifying Party to conduct such defence. Except as provided in Section 4.7(4), the Indemnified Party shall also have the right to participate in the negotiation, settlement, defence or compromise of any claim or demand at its own expense. For greater certainty, in the event that with respect to any claim or demand, the Purchaser is the Indemnified Party, then the Purchaser shall cause the Company and LMGTS to make available to the Indemnifying Party all pertinent information and witnesses under the Company's or LMGTS' control.

(4 Consent. The Indemnifying Party shall not be liable hereunder for any settlement or compromise of any claim or demand effected without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld. If any Claim based upon a breach of any of the representations and warranties made herein by the Vendors can, in the judgment of the Vendors, acting reasonably, be settled and the Vendors wish to settle such Claim, the Vendors shall provide written notice to the Purchaser of the proposed settlement. Within five Business Days from the receipt of such notice (or such shorter period as the Vendors may specify in any such notice, in the event that such settlement opportunity must be accepted within a shorter time period), the Purchaser shall provide written notice to the Vendors advising the Vendors as to whether or not the Purchaser agrees with the proposed settlement. If the Purchaser agrees with the proposed settlement, then the Claim may be settled on such basis. If the Purchaser does not wish the Claim to be settled on such basis, the Purchaser may, within such time period, give notice to the Vendors that the Purchaser will assume, at its cost and expense, control of the negotiation, settlement, defence or compromise of the Claim and, notwithstanding any other provision of this Agreement, the Vendors' maximum aggregate liability in respect of such Claim shall be limited to the amount set out in the notice from the Vendors to the Purchaser setting out the proposed settlement. If the Purchaser does not give notice to the Vendors within such time period, it shall be deemed to have agreed with the proposed settlement.

(5 Procedure. For the purposes of Sections 4.7(2), (3) and (4), the Vendors may by unanimous agreement appoint any one or more of the Vendors to represent the Vendors collectively and absent such agreement each of the Vendors, other than BMO and EUK Limited (and Electra in the event that it becomes a vendor of Loyalty Shares to the Purchaser as contemplated by Section 8.12), hereby authorize AMIG and Craig Underwood acting jointly to represent the Vendors for the purposes of Sections 4.7(2), (3) and (4); in either case, the Purchaser shall be entitled to rely upon determinations relating to matters contemplated by Sections 4.7(2), (3) and (4) made by such representatives of the Vendors.

4.8 ADJUSTMENT. Any payment made under the indemnities herein provided for shall be treated by the Purchaser and the Vendors for all purposes as an adjustment to the Purchase Price.

ARTICLE 5

COVENANTS

5.1 INVESTIGATION. Until the Closing, but subject to any confidentiality restrictions to which the Company may be subject: (a) the Purchaser and its representatives and advisers shall, at their own expense, be permitted to make such investigations, inspections, surveys or tests of the properties and assets of the Company, LMGTS and their respective financial and legal condition as the Purchaser, acting reasonably, deems necessary to familiarize itself with such properties and assets, and (b) the Purchaser shall, during normal business hours, be permitted complete access to all documents relating to information scheduled or required to be disclosed under this Agreement. Notwithstanding the foregoing provisions, to the extent that any of the Sponsors or Affiliates thereof are, in the reasonable opinion of the Vendors, competitors of the Purchaser, whether within Canada or elsewhere, the Vendors may withhold from any such review by the Purchaser information regarding such Sponsors or Affiliates which, in the Vendors' judgment, is of a competitive nature.

5.2 AUTHORIZATIONS. Each Vendor shall take all reasonable actions as are within such Vendor's control to cause the Company to execute and deliver any authorizations required to permit the investigations, inspections, surveys or tests described in Section 5.1.

5.3 CONFIDENTIALITY. The Purchaser acknowledges that it remains bound by the Confidentiality Agreement dated June 4, 1998.

5.4 RISK OF LOSS. Until the Closing, the Vendors shall cause the Company to maintain in force all the policies of property damage insurance under which any of the Assets is insured. Notwithstanding anything in this Section 5.4 to the contrary, if at any time during the Interim Period there is any loss, damage or destruction of a tangible Asset (whether or not covered by insurance) which has or is likely to have a Material Adverse Effect, the Vendors shall promptly notify the Purchaser thereof. The Purchaser may, at any time prior to 5:00 P.M. on the tenth Business Day following its receipt of any such notice from any one or more Vendors, elect by notice in writing to each of the Vendors, to either complete the purchase of the Loyalty Shares hereunder notwithstanding such event or terminate its obligation to complete such purchase. If the Purchaser does not respond in writing within such period, it shall be conclusively deemed to have elected to complete such purchase notwithstanding such event. If the Purchaser elects within such time period to terminate its obligation to compete such purchase, each Party shall thereafter be released from any obligations or liability hereunder, except for the obligations of the Purchaser under Section 5.3 which shall survive any termination hereof.

5.5 ACTION DURING INTERIM PERIOD. During the Interim Period, AMIG shall cause the Company and LMGTS:

(1 except as herein contemplated, not to make or agree to make any material change in the compensation of any Director, Officer or Employee or of any director, officer or employee of LMGTS and not to pay or agree to pay or set aside any bonus, profit sharing, retirement, insurance, death, severance or fringe benefit or other extra-ordinary or indirect compensation to, for or on behalf of any Director, Officer or Employee or of any director, officer or employee of LMGTS, other than in the normal course of business;

(2 not to sell, assign, transfer, mortgage, pledge or otherwise encumber any of the Assets, except for sales in the normal course of business;

(3 not to enter into any contract, agreement, commitment or transaction outside the normal course of business;

(4 not to issue any shares or other securities of the Company or LMGTS, except as contemplated by Exhibit A-3;

(5 not to declare or cause to be paid any dividend or make any other form of distribution or payment on the Loyalty Shares or any other securities of the Company;

(6 not to cancel or amend any policy of insurance which relates to the Company, LMGTS or any of the Assets, except in the ordinary course consistent with past practice or with the prior written consent of the Purchaser; and

(7 generally, to carry on the Business in the normal course.

Notwithstanding the foregoing, the Purchaser acknowledges that during the Interim Period the Company shall be permitted to hire, and determine the compensation payable to, such new employees which, in the Company's judgment, are necessary or desirable; provided that the Company shall not, except for the hiring of a Vice-President, Legal Affairs, hire any Person for a senior management position (vice-president or higher) without the prior consent of the Purchaser, which consent shall not be unreasonably withheld.

5.6 INVESTMENT CANADA NOTIFICATIONS. Prior to the Closing Time, the Purchaser shall have made all filings and notifications, including notification under the INVESTMENT CANADA ACT, if applicable, to all appropriate Governmental Bodies as are required by the Purchaser to permit the transactions contemplated herein.

5.7 CONSENTS TO ASSIGNMENT OF CONTRACTS AND PERMITS. Where consents are required under any Material Contracts as a result of the change of control of the Company or any of the transactions contemplated by this Agreement, the Vendors shall use their reasonable best efforts to obtain all such required consents provided that nothing herein shall require the Vendors to make any payments to any other party to any of the Material Contracts.

5.8 COOPERATION. Each Vendor shall, and shall use reasonable efforts to ensure that the Company, and the Company's employees, agents and representatives are available to, take all action and do all things necessary, and assist the Purchaser in taking all action and doing all things necessary, to obtain all consents, approvals and authorizations of third parties, including the making and prosecution of all notifications and filings with all Governmental Bodies, required by the Purchaser as a condition to the completion of the transactions contemplated hereunder. Such assistance by the Vendors, the Company and the Company's employees, agents and representatives shall include assisting the Purchaser in developing all necessary submissions for any applicable Governmental Body and promptly providing all information necessary or desirable for any submissions, notifications or filings in connection with the transactions contemplated pursuant to this Agreement.

5.9 ACTIONS TO SATISFY CLOSING CONDITIONS. Each of the Parties shall take all such reasonable actions as are within its power to control, and use its reasonable efforts to cause other actions to be taken which are not within its power to control, so as to ensure compliance with any conditions set forth in Article 6 hereof which are for the benefit of any other Party hereto.

5.10 VENDOR'S SEVERAL LIABILITY. No Vendor shall be responsible or liable for any failure on the part of any other Vendor to perform, discharge or satisfy any obligation, covenant or agreement of such other Vendor contained in this Agreement.

5.11 ECB AND VCB ARRANGEMENTS. Subject to satisfaction of the conditions set out in Section 6.1, the Purchaser shall concurrently with or promptly following Closing ensure that not less than $7 million (the "Bonus Funds") is directly or indirectly paid to, invested in or contributed to the Company. The Purchaser acknowledges the obligations of the Company under the ECB and VCB and agrees to cause the Company to comply with such obligations following the Closing.

5.12 DRAG ALONG. If required to ensure that the Purchaser acquires pursuant hereto 100% of the issued and outstanding Loyalty Shares, AMIG shall exercise any drag along rights it may have with respect to any Optionholder and such Optionholder's Loyalty Shares.

5.13 TAX RETURNS. The Purchaser shall cause the Company to prepare its Tax Returns for its taxation year ended April 30, 1998 and for its taxation year ending as a result of the change of control of the Company herein contemplated. The Purchaser shall ensure that all Tax computations reflected in such returns are made on the same basis that Tax has been computed in prior years and that a copy of such returns is provided to AMIG for its review at least five Business Days prior to their filing.

ARTICLE 6

CONDITIONS OF CLOSING

6.1 PURCHASER'S CONDITIONS. The Purchaser shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Time, each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Purchaser and may be waived, in whole or in part, in writing by the Purchaser at any time; and each of the Vendors shall take all such actions, steps and proceedings as are reasonably within its control and as may be necessary to ensure that the following conditions are fulfilled at or before the Closing Time:

(1 Representations and Warranties. The representations and warranties of the Vendors in Sections 3.1 and 3.2 shall be true and correct in all material respects as at the Closing as if made at such time.

(2 Vendors' Compliance. Each of the Vendors shall have performed and complied with all of the terms and conditions in this Agreement on the part of such Vendor to be performed or complied with at or before Closing and shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 7.2 or elsewhere in this Agreement to be executed and delivered by such Vendor.

(3 No Litigation. There shall be no litigation or proceedings pending against any Party or any of its Affiliates, directors or officers, (i) for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated by this Agreement or (ii) which in the result, could adversely affect the right of the Purchaser to acquire or retain the Loyalty Shares.

(4 Consents and Authorizations. There shall have been obtained all Government Authorizations (exclusive of the Governmental Authorizations noted in Schedule 3.2(30)), exemptions and certificates from all appropriate Governmental Bodies as are required to be obtained by the Vendors or the Company to permit the transactions contemplated herein.

(5 Approvals of the Vendors and the Company. At or before Closing, the Vendors and the Company shall have taken or caused to be taken all necessary or desirable actions, steps and proceedings, as appropriate, to (i) approve or authorize the sale and transfer of the Loyalty Shares to the Purchaser and the execution, delivery and performance of this Agreement and all other agreements and instruments contemplated herein and therein, and (ii) permit the Loyalty Shares to be validly transferred to and registered in the name of the Purchaser.

(6 Resignations. There shall have been delivered to the Purchaser resignations and releases of: (i) each of the Officers who are not paid employees of the Company, and (ii) each Director required by the Purchaser to resign at or prior to Closing.

(7 Discharge of Lien. At Closing, AMIG shall deliver to the Purchaser a full release or discharge of the Electra Pledge.

(8 License Agreements. The Trade-Mark License shall have been amended and restated as provided in Exhibit G and shall have been executed and delivered by each of the parties thereto. In addition, there shall have been delivered to the Company by Air Miles International Trading B.V. ("AMIT") an amended and restated Scheme License substantially in the form of Exhibit G, except that (i) it shall deal with the license of the scheme as referred to in the Scheme License, and not trade-marks; (ii) Articles 3, 4, 5, 6, 9, 11 and 13 of Exhibit G shall not apply; (iii) the corresponding version in such amended and restated Scheme License of Section 7.1 of Exhibit G shall deal with any assignment or transfer by AMIT of such scheme; (iv) the applicable percentage for purposes of the royalty (in the corresponding version of Section 8.1(ii)) shall be 0.90%, rather than 0.10%; (v) AMIT shall provide representations and warranties to the effect of those contained in clauses (i), (ii), (iii), (iv), (v), (vii) and (viii) of Section 10.1 of Exhibit G , but not the other clauses thereof; (vi) Section 14.3 of Exhibit G shall not apply; and (vii) the provisions of Section 14.4(2) of Exhibit G shall not apply and a provision shall be added to the Scheme License stating that if either party terminates the Trade-Mark License, it may, at its option, terminate the Scheme License. In addition, there shall have been delivered by AMIG to the Purchaser or any Affiliate thereof that may be designated by the Purchaser prior to the Closing Time scheme and trade-mark license agreements executed by AMIT and Air Miles International Holdings N.V. ("AMIH"), as applicable, for the use of the Air Miles(R) scheme and trade-marks by the Company or such Affiliate in the United States on terms and conditions consistent with the corresponding such amended and restated License Agreements, except that such licences shall be royalty free and shall not include any warranties other than a warranty that the trade marks listed below have been registered in the U.S. Patent and Trade Mark Office under the registration numbers shown below, that the registered owner of such trade marks is AMIH and that, to the knowledge of AMIH, (i) there are no opposition proceedings currently pending in the U.S. Patent and Trade Mark Office in respect of such trade marks, (ii) there have been no court proceedings successfully challenging the validity of such trade marks and (iii) no court proceedings challenging the validity of such trade marks are currently outstanding:

AIR MILES - (1150603)
AIR MILES TRAVEL THE WORLD (1819474)
AIR MILES TRAVEL THE WORLD (1771774)

(9 Non-Competition Agreement. There shall have been delivered to the Purchaser non-competition agreements in substantially the form attached as Exhibit B executed by each of LM Loyalty Management Holdings N.V. (the parent company of AMIG), Craig Underwood, John Scullion, Bryan Pearson, John Wright, Lori Russell, Bruce Kerr, Keith Mills and Liam Cowdrey.

(10 Optionholders Share Sale Agreement. The Purchaser shall have received a Share Sale Agreement from each of the Optionholders who on or before the Closing Time exercise all or any part of their options to acquire Loyalty Shares in substantially the form set out in Exhibit C and each such Share Sale Agreement shall be in full force and effect. Each Optionholder shall have, concurrently with the closing of the sale of the Loyalty Shares by the Vendors hereunder, completed the sale to the Purchaser under the Share Sale Agreements of the Loyalty Shares he or she receives upon exercise of his or her options to acquire Loyalty Shares.

(11 Termination of Shareholders Agreement. The Shareholders Agreement shall, effective at the Closing Time, have been terminated.

(12 Legal Opinions. The Purchaser shall have received legal opinions (which may be from Company's Counsel or in-house counsel to a Vendor) respecting the existence and due authorization of this Agreement by each Vendor who is a Person other than an individual, and respecting the due execution, delivery and, considering strictly the provisions of this Agreement, the enforceability of this Agreement with respect to each Vendor; such opinions may be based upon reasonable assumptions and may be subject to customary qualifications.

6.2 CONDITION NOT FULFILLED. If any condition in Section 6.1 has not been fulfilled by the Closing Time, the Purchaser, in its sole discretion may, without limiting any rights or remedies available to the Purchaser at law or in equity, either:

(a terminate this Agreement by notice to the Vendors, in which event the Purchaser shall be released from its obligations under this Agreement to complete the purchase of the Loyalty Shares; or

(b waive compliance with any such condition without prejudice to its right of termination in the event of non-fulfilment of any other condition.

6.3 VENDORS' CONDITIONS. The Vendors shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Time, each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Vendors, and may be waived, in whole or in part, in writing by the Vendors at any time; and the Purchaser agrees with the Vendors to take all such actions, steps and proceedings as are reasonably within the Purchaser's control and as may be necessary to ensure that the following conditions are fulfilled at or before the Closing Time:

(1 Representations and Warranties. The representations and warranties of the Purchaser in Section 3.3 shall be true and correct in all material respects as at the Closing as if made at such time.

(2 Purchaser's Compliance. The Purchaser shall have performed and complied with all of the terms and conditions in this Agreement on its part to be performed or complied with at or before the Closing Time and shall have executed and delivered or caused to have been executed and delivered to the Vendors at the Closing Time all the documents contemplated in Section 7.3 or elsewhere in this Agreement.

(3 Consents and Authorizations. There shall have been obtained all Governmental Authorizations, exemptions and certificates from all appropriate Governmental Bodies as are required to be obtained by the Purchaser to permit the transactions contemplated herein.

(4 Approvals of the Purchaser. At or before Closing, the Purchaser shall take or cause to be taken all necessary desirable actions, steps and corporate proceedings, as appropriate, to approve or authorize the purchase of the Loyalty Shares from the Vendors and the execution, delivery and performance of this Agreement and all other agreements contemplated hereby and the transactions contemplated herein and therein.

(5 License Agreements. The Company or the Purchaser's designated Affiliate shall have executed in favour of Air Miles International Trading B.V. and AMIH, as applicable, the scheme and trade-mark license agreements referred to in Section 6.1(8).

6.4 CONDITION NOT FULFILLED. If any condition in Section 6.3 shall not have been fulfilled by the Closing Time, the Vendors in their sole discretion may, without limiting any rights or remedies available to them at law or in equity, either:

(a terminate this Agreement by notice to the Purchaser in which event each of the Vendors shall be released from all obligations under this Agreement; or

(b waive compliance with any such condition without prejudice to its right of termination in the event of non-fulfilment of any other condition.

ARTICLE 7

CLOSING ARRANGEMENTS

7.1 CLOSING. The Closing shall take place at 10:00 a.m. on the Closing Date at the offices of Blake, Cassels & Graydon, 23rd Floor, Commerce Court West, 199 Bay Street, Toronto, Ontario, or at such other time on the Closing Date or such other place as may be agreed orally or in writing by the Vendors and the Purchaser.

7.2 VENDOR'S CLOSING DELIVERIES. At the Closing, each Vendor shall deliver or cause to be delivered to the Purchaser the following documents:

(1 the certificate or certificates representing the Loyalty Shares owned by such Vendor duly endorsed in blank for transfer;

(2 a certificate of such Vendor to the effect that its representations and warranties contained in this Agreement are true and correct at and as of the Closing in all material respects with the same force and effect as if such representations and warranties were made at and as of such time;

(3 in the case of AMIG, certified copies of the resolutions of the board of directors of AMIG authorizing or approving the transactions contemplated by this Agreement;

(4 evidence that the consents and authorizations to be obtained in accordance with Section 6.1(4) and by such Vendor in accordance with Section 6.1(5) have been obtained;

(5 an opinion or opinions of legal counsel addressed to the Purchaser and the Purchaser's Counsel substantially in the form of Exhibit D;

(6 all such other agreements, documents, instruments and certificates or evidence required or contemplated by this Agreement to be delivered by such Vendor or as the Purchaser's Counsel, acting reasonably, considers necessary to validly and effectively complete the transfer of the Loyalty Shares to the Purchaser in accordance with this Agreement.

7.3 PURCHASER'S CLOSING DELIVERIES. At the Closing, the Purchaser shall deliver or cause to be delivered to the Vendors the following documents and payments:

(1 payment of the Base Amount required pursuant to Section 2.4;

(2 a certificate of the Purchaser to the effect that each of its representations and warranties contained in this Agreement are true and correct at and as of the Closing in all material respects with the same force and effect as if such representations and warranties were made at and as of such time;

(3 a certified copy of the resolution of the board of directors of the Purchaser authorizing and approving the transactions contemplated by this Agreement;

(4 evidence that the consents and authorizations referred to in Section 6.3(3) have been obtained;

(5 an opinion of Purchaser's Counsel addressed to the Vendors and their counsel substantially in the form of Exhibit E; and

(6 all such other agreements, documents, instruments and certificates or evidence required or contemplated by this Agreement or as counsel to the Vendors, acting reasonably, considers necessary to complete the transfer of the Loyalty Shares to the Purchaser in accordance with this Agreement.

ARTICLE 8

GENERAL

8.1 EXPENSES. Each Party shall be responsible for its own legal and other expenses (including any Taxes imposed on such expenses) incurred in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the transactions contemplated by this Agreement and for the payment of any broker's commission, finder's fee or like payment payable by it in respect of the purchase and sale of the Assets pursuant to this Agreement. For greater certainty, the Selling Shareholders shall be responsible for the payment of any fees payable by the Company to Nesbitt Burns Inc. and Salomon Smith Barney Inc. in connection with the completion of the transaction contemplated by this Agreement.

8.2 PAYMENT OF TAXES. Subject to the following proviso, all transfer Taxes, if any, incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by Selling Shareholders, and Selling Shareholders shall, at their own expense, file all necessary returns and other documentation with respect to all such transfer Taxes; provided that the Purchaser shall be responsible for, and shall prepare and file all returns with respect to, any transfer Taxes imposed under the laws of the United States or any political subdivision thereof.

8.3 PUBLIC ANNOUNCEMENTS. Except as required by Applicable Laws, including in the by-laws and rules of any applicable stock exchange (in which case each Party hereto shall use its reasonable efforts to deliver to the other Parties a copy of same before such announcement is made), no disclosure, including disclosure to Employees generally, or public announcement with respect to this Agreement or any of the transactions contemplated hereby shall be made by any Party without the prior written consent of the other Parties hereto provided that the Company may disclose the general subject matter of this Agreement to any of its Employees, Sponsors or Suppliers and for greater certainty, any Party may disclose this Agreement to any of its direct or indirect shareholders, to the extent required to obtain any necessary approvals in connection herewith.

8.4 NOTICES.

(1 Any notice, certificate, consent, determination or other communication required or permitted to be given or made under this Agreement shall be in writing and shall be effectively given and made if (a) delivered personally, (b) sent by prepaid courier service or mail, or (c) sent prepaid by fax or other similar means of electronic communication, in each case to the applicable address set out below:

(i if to AMIG, to:

Air Miles International Group B.V.
Koningslaan 34
1075 AD Amsterdam
The Netherlands

Attention: Managing Director

Fax: 011 31 20 664 7747

with a copy to:

Blake, Cassels & Graydon
Commerce Court West
28th Floor
Toronto, Ontario
M5L 1A9

Attention: Mark J. Selick
Facsimile No.: (416) 863-2653

(ii if to the other Vendors, to the addresses set out on Exhibit A-1,

(iii if to the Purchaser, to:

Alliance Data Systems Corporation
5001 Valley Road
Suite 650, West Tower
Dallas, Texas
75244-3910 U.S.A.

Attention: General Counsel
Facsimile No.: (972) 960-5330

with a copy to:

Reboul, MacMurray, Hewitt, Maynard & Kristol
45 Rockefeller Plaza
New York, New York
10111 U.S.A.

Attention: Robert A. Schwed, Esq.
Facsimile No. (212) 841-5725

(2 Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 4:30 p.m. local time at the place of receipt on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day. Any such communication sent by mail shall be deemed to have been given and made and to have been received on the fifth Business Day following the mailing thereof; provided however that no such communication shall be mailed during any actual or apprehended disruption of postal services. Any such communication given or made in any other manner shall be deemed to have been given or made and to have been received only upon actual receipt.

(3 Any Party may from time to time change its address under this Section by notice to the other Parties given in the manner provided by this Section.

8.5 TIME OF ESSENCE. Time shall be of the essence of this Agreement in all respects.

8.6 ENTIRE AGREEMENT. This Agreement, the Exhibits and the Schedules hereto (together with the Confidentiality Agreement dated June 4, 1998 and the documents and instruments executed at the Closing Time in connection herewith), constitute the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no conditions, warranties, representations or other agreements between the Parties in connection with the subject matter of this Agreement (whether oral or written, express or implied, statutory or otherwise) except as specifically set out in this Agreement, the Exhibits and Schedules hereto, the Confidentiality Agreement or such other documents and instruments executed at the Closing Time in connection herewith.

8.7 WAIVER. A waiver of any default, breach or non-compliance under this Agreement is not effective unless in writing and signed by the Party to be bound by the waiver. No waiver shall be inferred from or implied by any failure to act or delay in acting by a Party in respect of any default, breach or non-observance or by anything done or omitted to be done by the other Party or Parties. The waiver by a Party of any default, breach or non-compliance under this Agreement shall not operate as a waiver of that Party's rights under this Agreement in respect of any continuing or subsequent default, breach or non-observance (whether of the same or any other nature).

8.8 SEVERABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

8.9 FURTHER ASSURANCES. Each Party shall promptly do, execute, deliver or cause to be done, executed and delivered all further acts, documents and things in connection with this Agreement that any other Party may reasonably require for the purposes of giving effect to this Agreement.

8.10 ATTORNMENT. For the purpose of all legal proceedings this Agreement shall be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario shall have jurisdiction to entertain any action arising under the Agreement. Each of the Vendors and the Purchaser hereby attorn and submit to the jurisdiction of the courts of the Province of Ontario.

8.11 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in that Province and shall be treated, in all respects, as an Ontario contract.

8.12 SUCCESSORS AND ASSIGNS. This Agreement shall enure to the benefit of, and be binding on, the Parties and their respective successors and permitted assigns. No Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its respective rights or obligations under this Agreement without the prior written consent of the other Parties; provided, however, that (A) Purchaser may assign without the consent (written or otherwise) of any of the other Parties, this Agreement (i) by way of security and/or grant a collateral security interest in the Purchaser's rights under this Agreement to one or more banks or financial institutions or other lenders to secure repayment to such lenders of amounts loaned by such lenders to Purchaser, and/or (ii) to any direct or indirect wholly-owned subsidiary of the Purchaser, provided however that such subsidiary executes an assumption agreement in favour of each of the other Parties agreeing to be bound by the obligations of the Purchaser hereunder and provided further that any such assignment shall not relieve the Purchaser of its obligations hereunder, and (B) each of the Parties consents to Electra becoming the registered and beneficial holder of the Loyalty Shares held by EUK Limited subject to Electra executing an assumption agreement in favour of each of the other Parties agreeing to be bound by all of the obligations of EUK Limited hereunder.

8.13 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed 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 faxed form and the Parties adopt any signatures received by a receiving fax machine as original signatures of the Parties; provided, however, that any

Party providing its signature in such manner shall promptly forward to the other Parties an original of the signed copy of this Agreement which was so faxed.

IN WITNESS WHEREOF the Parties have executed this Agreement.

ALLIANCE DATA SYSTEMS CORPORATION

Per:
Name:
Title:

AIR MILES INTERNATIONAL GROUP B.V.

Per:
Name:
Title:

EUK LIMITED

Per:
Name:
Title:

BANK OF MONTREAL

Per:
Name:
Title:

CRAIG UNDERWOOD

JOHN SCULLION

BRYAN PEARSON

JOHN WRIGHT

LORI RUSSELL

BRUCE KERR

Exhibit 10.1

CREDIT CARD PROCESSING AGREEMENT

This Credit Card Processing Agreement is made as of this 31st day of January, 1996 between WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association (the "BANK"), and Bath & Body Works, Inc., a Delaware corporation (the "CORPORATION"), and Tri-State Factoring, Inc., a Nevada corporation ("FACTORING") (the Corporation and Factoring being collectively referred to herein as the "COMPANY").

WHEREAS the Company and the Bank believe that it is desirable and in their respective best interests for the Bank to continue, in a manner generally consistent with past practices, to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Company's Bath & Body Works retail or catalogue business (the "BUSINESS") which will allow the customers of the Company to purchase goods from the Company using funds advanced by the Bank; and

WHEREAS in order to implement such arrangements, the parties hereto desire to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. TRADEMARKS. The Company hereby authorizes the Bank to use the trademark "Bath & Body Works" on credit cards owned or issued by the Bank, monthly billing statements, collection correspondence, credit card agreements, credit applications, customer service Correspondence and in such other written and oral communications with cardholders as are necessary or convenient in connection with this Agreement, in each case consistent with past practices. The Bath & Body Works" trademark is referred to herein as the "MARK". The Company shall have the right to approve in its sole discretion the "art" (including colors and font styles) for all proposed uses of the Mark by the Bank. The Bank shall not use the Mark for any purpose other than as set forth in the first sentence of this Section 1.

Section 2. CREDIT CARD SYSTEM.

2.1. NEW CREDIT CARDS.

2.1.1. ISSUANCE OF CREDIT CARDS. To the extent requested by the Company, the Bank will issue credit cards bearing the Mark ("CREDIT CARDS") to customers of the Business who apply for such Credit Cards and related extensions of credit. Such customers (i) must qualify for

the extension of credit under credit standards related to new account approvals, credit limits and authorization management ("CREDIT STANDARDS") which will be determined by the Bank from time to time and (ii) must accept the Bank's standard form of credit card agreement containing the terms and conditions governing extensions of credit to Persons who hold Credit Cards and their authorized users (attached hereto as Exhibit 2.1.1(a)). Notwithstanding the foregoing, (i) the Credit Standards established by the Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Business shall be consistent with past practices (as described in Exhibit 2.1.1(b)), with such changes as shall be (A) approved by the Company in its reasonable discretion or (B) determined by the Bank in good faith to be necessary from the standpoint of safe and sound banking practices and (ii) the Bank may make any change in the terms of its agreement with any person who holds a Credit Card (including repayment terms, fees and finance charge rates) after prior notice to and consultation with the Company. The Bank hereby confirms its understanding that the Company intends to offer and promote credit as outlined in Section 2.2. The Bank will bear the costs of the issuance of Credit Cards under this Section 2.1.

2.1.2. CREDIT MAXIMIZATION. The Company will be entitled to use credit related promotional strategies consistent with past practices. The Bank will work in good faith with the Company to develop business strategies with respect to the issuance of Credit Cards intended to maximize the potential of the Business and, in that regard, will consider in good faith proposals involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card; PROVIDED that subject to compliance with the provisions of Section 2.1.1, Credit Standards and the terms of such agreement shall in all circumstances be determined by the Bank. The terms of any program involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card, including (without limitation) fees or other charges to be paid by either party, shall be agreed on a program-by-program basis.

2.2. PROMOTION. The Company will use its reasonable efforts to promote the use of Credit Cards in the Business and to acquire new Cardholders (as defined below), for the Bank through the use of, for example, "instant credit," "quick credit," preapproved solicitations, applications and promotional material displayed in stores and inserted in catalogues and special offers to Cardholders, in each case consistent with past practices. The costs incurred by the Company and the Bank (including, among other things, the cost of printing application forms,

promotional material, pre-approved solicitations and instant and quick credit contracts and the cost of special offers) will be borne by the Company and the Bank on terms to be negotiated from time to time in a manner consistent with past practices. The Bank shall have two Business Days to review for legal compliance all credit application forms and marketing materials (including, without limitation, those referred to above) prior to their being printed.

Section 3. ACCEPTANCE OF CREDIT CARDS. The Company will permit Persons who hold Credit Cards (subject to the restrictions of this Agreement) or other credit cards owned by the Bank that the Bank has designated and their authorized users ("CARDHOLDERS") to purchase goods sold by the Business without any cash payment by use of a Credit Card, subject to the following conditions:

3.1. CHARGE SLIP (CREDIT CARD PRESENTED). If the customer presents a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects the following:

3.1.1 A brief identification of the property or service purchased (the "TRANSACTION");

3.1.2 The date of the Transaction;

3.1.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.1.4. An imprint or electronic capture of the Credit Card account number or, in the event of equipment malfunction, a written notation of such account number; and

3.1.5 The Cardholder's signature.

3.2. CHARGE SLIP (CREDIT CARD NOT PRESENTED). The Bank acknowledges and agrees that a Cardholder need not present a Credit Card at the time of sale and that, subject to Section 3.5, the Company may accept charges to a Credit Card verbally from the customer or via a written order form from the customer. If the customer does not present a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects, in lieu of the information set forth in Section 3.1.1 through 3.1.5, the following:

3.2.1. A brief identification of the Transaction;

3.2.2. The date of the Transaction;

3.2.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.2.4. A written notation of the Credit Card account number, which shall have been obtained from the customer and recorded in the Company's customer file;

3.2.5. The customer's name and address and, except in the case of catalogue purchases, personal identification type and number; and

3.2.6. If applicable, the name and address to where the merchandise which was the subject of the Transaction was shipped and the date and method of shipment.

3.3. RETENTION OF CHARGE SLIP. The Company will retain a legible copy of each charge slip for six months following the date of the Transaction and will provide such copy to the Bank within 30 days of the Bank's request therefor; PROVIDED that the Bank will request delivery of such information only in the case of a bona fide dispute (the existence of such dispute to be determined by the Bank in its reasonable discretion) relating to the underlying Transaction, upon the inquiry of the applicable Cardholder or as requested by auditors of the Bank in connection with their audit of the Bank's financial statements or by any governmental authority.

3.4. AUTHORIZATION. The Transaction is authorized by the Bank in accordance with the floor limits and other procedures in effect at the time or such authorization is dispensed with under rules established by the Bank from time to time in accordance with Section 8.3 to deal with situations in which authorization is not available because of disruption of the Bank's computer system or other causes provided for in such rules, consistent with past practice.

3.5. CHARGEBACKS. 9The Company agrees to accept as a chargeback any charge on a Credit Card where:

3.5.1. The Cardholder disputes the charge and the Company fails to provide a legible copy of the charge slip within 30 days of the Bank's request therefor in accordance with Section 3.3;

3.5.2. The Company failed to obtain authorization from the Bank in accordance with Section 3.4;

3.5.3. The Company failed to complete the charge slip in accordance with Section 3.1 or 3.2, as applicable;

3.5.4. A Company employee fraudulently misused the Credit Card or account number;

3.5.5. A dispute arises from the Cardholder being charged or credited more than once for the same sale, payment or return;

3.5.6. A dispute with the Cardholder arises from a voided Transaction or an invalid Credit Card account number;

3.5.7. A dispute with the Cardholder arises from an improperly opened Credit Card account, or the account is otherwise uncollectible, where a Company employee failed to comply with new account procedures in effect at the time the account was opened;

3.5.8. The Bank, consistent with past practices, gives the Cardholder credit for (or accepts as payment) a non-expired discount coupon or gift certificate in respect of a prior purchase; or

3.5.9. A dispute arises from the Company's failure properly to identify a catalogue purchaser as the Cardholder where such failure results in merchandise being shipped without the actual Cardholder's authorization.

The amount charged back with supporting detail will be invoiced to the Company weekly, and all required payments by the Company shall be made within 30 days after receipt of an invoice. If the Company pays the Bank any chargeback amount pursuant to this Section 3.5 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such chargeback from the Cardholder subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

Section 4.Payment.

4.1 PAYMENT BY BANK

4.1.1. The Bank will pay to the Company, as full consideration for any Transaction between the Company and any Cardholder using a Credit Card, as to which the Company has complied with the provisions of Section 3 above, the amount shown on the records of the Company for each Transaction, including all applicable shipping, handling and taxes, less a discount, which discount shall be equal to the discount rate determined in accordance with Section 4.1.5 (expressed as a fraction) multiplied by the amount shown on the records of the Company for each Transaction (exclusive of all applicable shipping, handling and taxes).

4.1.2. The Bank will pay such amount by transferring immediately available funds to an account designated by the Company at any bank to which the Bank may make electronic fund transfers before the end of the second Business Day following the receipt by the Bank of the information required by Section 3.1 or 3.2, such information to be properly formatted and edited and transferred via a telecommunications connection between the Company and the Bank pursuant to such computer programs and telecommunications protocols as the Bank may, in its reasonable discretion, designate from time to time, subject to reasonable prior notice. The Company will transmit (in the manner referred to above) to the Bank an audited and balanced file in the format specified by the Bank containing all such information within two Business Days after the occurrence of the underlying Transaction; PROVIDED that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, the Company will transmit such information relating to such store locations as soon as reasonably practicable after polling is completed.

4.1.3 The Company may not attempt to collect any amount from a Cardholder with respect to a Transaction which has been paid for by the Bank under this Section 4.1 and not charged back to the Company pursuant to Section 3.5.

4.1.4. The Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Cards ("IN-STORE PAYMENTS"). Any In-Store Payments received by the Company will be held in trust for the Bank and its assigns and netted against amounts payable by the Bank pursuant to Section 4.1.1. (PROVIDED that the Company shall not be required to keep In-Store Payments separate from other payments received by the Company) and evidence of such payments will be transmitted to the Bank on a daily basis in accordance with the procedures set forth in Section 4.1.2. Notwithstanding the foregoing:

(a) if any bankruptcy or other insolvency proceeding has been commenced against the Company (and so long as the same has not been dismissed), the Company shall promptly comply with any written instruction (a "STORE PAYMENT NOTICE") received by the Company from the Bank or any successor to the Bank as "Servicer" under the Pooling and Servicing Agreement referred to below (the Bank or any such successor being the "SERVICER") to take either of the following actions (as specified in such instruction):

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

Pooling and Servicing Agreement to give such notice); or

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

PROVIDED that the Company need not take the actions specified in clause (i) or clause (ii) if the Company or any of its affiliates provides the Servicer or the Trustee under (and as defined in) the Pooling and Servicing Agreement with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all conditions specified in the Pooling and Servicing Agreement with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(b) if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, In-Store Payments shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this clause (b) and Section 4.2 is less than $10,000, by check), not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such in-Store Payments.

So long as the Company complies with instructions delivered in accordance with paragraph (a) or (b), any amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for In-Store Payments.

For purposes of the foregoing, the "POOLING AND SERVICING AGREEMENT" means the Pooling and Servicing Agreement dated as of January 17, 1996 among the Bank and The Bank of New York, as trustee, including each Supplement thereunder, as the same may be amended, supplemented or otherwise modified from time to time, except that no amendment, supplement or other modification to such Agreement that affects the circumstances in which the Company may be required to take the actions referred to in

paragraph (a) or (b) above or in section 4.2.3 shall be given effect for purposes of this Agreement unless consented to by the Company.

4.1.5. DISCOUNT RATE. The applicable discount rate referred to in Section 4.1.1 shall be the then applicable discount rate determined in accordance with the matrix set forth in Exhibit 4.1.5; PROVIDED that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by the Bank to Cardholders, the Company and the Bank agree to negotiate in good faith an increase in the discount rate.

4.2. PAYMENT BY COMPANY. If the Bank has paid the Company for any Transaction and

4.2.1. If :

(a) the representations and warranties of the Company with respect to such Transaction, as set forth in Sections 5.1 through 5.3 below, are not true in all material respects; or

(b) any merchandise which was the subject of such Transaction is returned to the Company and the Company, pursuant to its policies concerning returned merchandise, accepts such merchandise for credit; or

(c) in order to settle a dispute concerning the nature, quality or quantity of goods purchased from the Company with the Credit Card, the Company agrees to refund all or part of the purchase price thereof; then

4.2.2 The Company:

(a) shall pay the Bank an amount equal to the face amount of such Transaction or portion thereof refunded to the customer, less any discount actually taken by the Bank when it made payment to the Company in consideration for such Transaction pursuant to Section 4.1.1;

(b) shall create a written memorandum of such Transaction setting forth the information required by Section 3 above (a "CREDIT MEMORANDUM");

(c) shall transmit the information contained in such Credit Memorandum to the Bank by the method of electronic transmission referred to in Section 4.1.2 above; and

(d) subject to Section 4.2.3, shall permit the payment required by this Section 4.2 to be netted against amounts payable by the Bank pursuant to Section 4.1.1. The

Company shall retain any such Credit Memorandum in the same manner and for the same time as the charge slip referred to in Section 3.3 and shall promptly deliver any such Credit Memorandum to the Bank upon its request. If the Company pays the Bank any amount for a Transaction pursuant to this Section 4.2 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such Transaction from the customer subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

4.2.3. Notwithstanding clause (d) of Section 4.2.2, if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, amounts payable by the Company pursuant to Section 4.2 ("ADJUSTMENT PAYMENTS") shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer the amount of each Adjustment Payment to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this Section 4.2 and clause (b) of Section 4.1.4 is less than $10,000, by check), not later than the second Business Day following the date on which the events giving risk to such Adjustment Payment occur (and amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for Adjustment Payments).

4.3. OTHER FEES.

4.3.1. DEFERRED PAYMENT. If any Transaction between the Company and any Cardholder using a Credit Card is consummated on a deferred payment basis (for which the period of deferral may not exceed 90 days), then for each month during the period of deferral, the Company will pay the Bank an amount equal to the Deferred Payment Rate for such month multiplied by the average daily balance of purchase price so deferred during such month. For purposes of this Section 4.3, "DEFERRED PAYMENT RATE" means, for any month, (i) if the debt of the Bank has an implied investment grade rating at all times during such month, the average interest rate paid by the Bank to obtain funds during such month, and (ii) if the debt of the Bank does not have an implied investment grade rating at all times during such month, the then-current reference rate or index maintained or provided by a nationally recognized investment banking firm (which firm shall be reasonably acceptable to the Company and the Bank) in respect of issuers whose debt has the lowest investment grade rating.

4.3.2. POSTAL RATE ADJUSTMENT. The Company agrees to reimburse the Bank for any costs incurred by the

Bank as a result of changes in postal rates or rules applicable to mailings to Cardholders after the date hereof; PROVIDED that the postal costs and postal discounts applicable to mailings to Cardholders shall be no less favorable than the postal costs and postal discounts applicable to comparable mailings to holders of any other credit cards issued by the Bank. The Bank and the Company agree to use their reasonable efforts to minimize postal costs and maximize postal discounts.

4.3.3. SPECIAL PROJECTS. With respect to special services provided by the Bank from time to time with respect to the Business (including, without limitation, consulting, surveys, gift certificate calls and fulfillment, rebate fulfillment, telemarketing and special processing or accounting reports required in connection with promotional activities), the Company will pay to the Bank amounts to be agreed on a program-by-program-basis. To the extent not otherwise provided for in this Agreement, (i) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $1,000 without having first obtained prior written or oral authorization from the Company for such expenses; and (ii) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $50,000 without having first obtained prior written authorization from the Company for such expenses; PROVIDED that, in the event any terms of any such written authorization are in conflict with the terms of this Agreement, the terms of this Agreement shall be controlling.

4.3.4. PAYMENTS. All amounts payable by the Company under this Section 4.3 shall be paid by wire transfer of immediately available funds within 30 days after receipt of an invoice for such amounts.

4.4. SETOFFS. The Bank may at any time, in addition to all other rights and remedies available to it, setoff against any amount owing to the Company by the Bank under this Agreement, any amounts owing by the Company to the Bank under this Agreement.

4.5. INVOICE. The amount of any invoice prepared and delivered by the Bank under this Agreement shall be deemed to be correct, accurate and binding upon the Company if the Company makes no objection within 30 days after the date of such invoice; PROVIDED that the making of any objection shall not relieve the Company of its obligation to make full payment of the amount set forth on the related invoice when such amount is otherwise payable pursuant to this Section 4, it being understood that the Company does not waive its rights thereby and may, subject to Section

10.4, assert a claim with respect to such invoice in an appropriate proceeding.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Bank that:

5.1. VALID TRANSACTIONS. Each Transaction will be completed in compliance with the provisions of Section 3 and will create a valid, binding and legally enforceable obligation of the Cardholder whose name is shown on the Credit Card to pay to the Company the amount shown on the charge slip, which obligation to the Company will be discharged in full by the payment made to the Company by the Bank in respect of such Transaction under Section 4.1 above.

5.2. ACCURATE INFORMATION. Each charge slip will accurately reflect the Transaction described therein. Each charge slip and Credit Memorandum and any charge slip or Credit Memorandum information transmitted to the Bank by the Company will be complete and accurate and in a form deemed necessary by the Bank to allow Cardholder billing in accordance with applicable law. The Company will accurately report all returns and other credits to the Bank within the time period specified in Section 4.

5.3. NO LIENS. No amount due to the Company with respect to any Transaction will be subject to any lien or encumbrance in favor of any third party or to any offset, counterclaim or defense of any Person other than the Bank or its Affiliates.

5.4. MARK. The use of the Mark by the Bank under this Agreement does not infringe the rights of any other Person.

Section 6. REPRESENTATIONS AND WARRANTIES OF THE BANK. The Bank hereby represents and warrants to the Company that:

6.1. COMPLIANCE WITH LAWS. Each Credit Card and the related credit card agreement, all monthly billing statements and any collection efforts of the Bank conform and will conform in all material respects with all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws ("CONSUMER LAWS").

6.2 NON-CONTRAVENTION. The performance by the Bank of its obligations under this Agreement will not

conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Bank is party or by which the Bank is bound, nor will such performance result in any violation of the provisions of the articles of association or the by-laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

Section 7. COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with the Bank as FOLLOWS:

7.1. CREDIT-CARD NOTICES AND COMMUNICATIONS. The Company will, consistent with past practices, accept and turn over to the Bank promptly upon receipt thereof by the Company (i) subject to Section 4.1.4, any payments made by any Cardholder with respect to any Transaction or any Credit Card and (ii) any notices or other communications received by the Company with respect to any Credit Card including, without limitation, customer changes of address and other information on approved forms.

7.2. COMPLIANCE WITH APPLICABLE LAW. The Company will, at all times, comply in all material respects with all Consumer Laws.

7.3. RULES. The Company shall comply with such written rules and operating instructions relating to the use of the Credit Cards, the distribution of applications, Credit Card security, authorization procedures, "downtime" procedures and other matters related to this Agreement as the Bank may, from time to time, promulgate with prior notice to the Company; PROVIDED that such rules and operating instructions shall be consistent with past practices, with such changes as shall be approved by the Company in its reasonable discretion.

7.4. CARDHOLDER INQUIRIES AND COMPLAINTS. If a Cardholder makes an inquiry or complaint to the Company about the nature, quality or quantity of goods purchased from the Company with a Credit Card, or a Cardholder has made an inquiry or complaint to the Bank concerning the nature, quality or quantity of goods purchased from the Company with a Credit Card, the Company shall deal directly with the Cardholder to resolve any such complaint or inquiry. The Company shall answer all inquiries from the Bank about complaints made to the Bank by Cardholders within 10 days after the Company receives an inquiry from the Bank.

7.5. EQUIPMENT. The Company shall obtain and maintain at its own expense such point of sale and authorization terminals, credit card imprinters and other

items of equipment as are necessary for it to receive authorizations, transmit charge slip and Credit Memorandum information, process credit applications and perform its obligations under this Agreement. Such point of sale and authorization terminals shall be capable of communicating with the computer equipment maintained by the Bank according to such computer programs and telecommunications protocols as may be specified by the Bank in its reasonable discretion from time to time subject to reasonable prior notice of any change in such equipment or protocols.

7.6. EXCLUSIVITY. The Company may not accept promote any credit card as and Credit Memorandum information, processpayment for its goods or services unless such credit applications and card is Credit Card, perform its a proprietary credit obligations under this Agreement. Such point of sale and authorization terminals shall be card of another division of the Company or any Affiliate of the Company (whether or capable of communicating with the computer equipment maintained by the not issued by the Bank) or a credit card issued by a bank or other Person engaged in the Bank business according to such computer programs and of issuing credit cards to Persons for telecommunications protocols the purpose of making payments to third parties generally as may be specified by under such the Bank in names as Master its reasonable discretion from time to time Card, Visa, Discover, American Express subject to or Optima. reasonable prior notice The Company may of any change in not issue its own credit such equipment or protocols. cards or enter into an agreement with any third party under which credit cards bearing the Mark are issued; PROVIDED that after the second anniversary of the date hereof, the Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing the mark and to accept any Bona Fide Offer by such third party if, at least 30 days prior to accepting such Bona Fide Offer, the Company provides the Bank with an opportunity to submit a competing offer with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark, which competing offer, if it has terms at least as favorable to the Company as such Bona Fide Offer, shall be accepted by the Company in lieu of such Bona Fide offer. For purposes of this Section 7.6, "BONA FIDE OFFER" means an offer to the Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in the Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to the Company, its Affiliates and other retail or catalogue merchants).

7.7. OBSOLETE MATERIALS. The Company shall reimburse the Bank for the cost of replacing reasonable amounts of obsolete forms and other materials if such replacement is requested by the Company due to changes in the Mark or in the logo, colors or styles used to identify or promote the Business.

Section 8. COVENANTS OF THE BANK. The Bank hereby covenants and agrees with the Company as follows:

8.1. COMPLIANCE WITH APPLICABLE LAW. The Bank will, in issuing, billing, administering, and collecting with respect to the Credit Cards and at all other times, comply in all material respects with all Consumer Laws.

8.2. COLLECTION. The Bank will use efforts to collect from each Cardholder the purchase price and additional taxes and other charges of Transactions consistent with past practices and with its efforts to collect accounts receivable under other credit cards issued by it; PROVIDED that the Bank will initiate collection of any account receivable under a Credit Card at or before the time such account receivable is 60 days past due. The Bank will, consistent with past practices, determine the use and timing of dunning letters, statement messages and collection agents and will manage all written-off accounts (including, without limitation, the management of outside collection agencies). The Bank may implement reasonable variances from past collection practices after prior notice to and consultation with the Company.

8.3. PERFORMANCE STANDARDS. In performing its obligations under this Agreement, subject to Section 12.11, the Bank shall comply with the performance standards set forth in Exhibit 8.3, as such performance standards may be modified from time to time at the reasonable request of the Bank or the Company. Within 10 days after the end of each fiscal month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards. Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

8.4. FORCE MAJOR EVENT. After the occurrence of a Force Majeure Event (as defined in Section 12.11) which disrupts the availability of the services provided hereunder, the Bank may elect to reestablish the availability of such services. If any such Force Majeure Event comparably disrupts the performance of services similar to the services provided hereunder with respect to one or more other credit cards issued by the Bank, then the Bank shall reestablish the availability of such services to the same extent and within the same timetable under

comparable circumstances as the comparable services are reestablished with respect to such other credit cards. The Bank shall promptly notify the Company of any Force Majeure Event and shall inform the Company whether it will reestablish services and the timetable therefor. If the Bank chooses not to reestablish or take measures to reestablish such services within a reasonable period of time as would be indicated by sound business practice, the Company shall be free to obtain such services from any supplier thereof.

Section 9. PROPERTY RIGHTS.

9.1. RIGHTS OF THE COMPANY. The Company is the owner of the names and addresses of customers of the Business; provided that (i) as set forth in Section 9.2, the Bank is also the owner of such information with respect to customers of the Business who are also Cardholders and (ii) The Limited, Inc. ("THE LIMITED") is also the owner of such information with respect to customers of the Business until the second anniversary of the date, if any, on which the Company ceases to be an Affiliate of The Limited.

9.2. RIGHTS OF BANK. Except as set forth in Section 9.1, the Bank is the owner of all information relating to the Cardholders (including names and addresses) and the Credit Cards, the copyright to all written material contained in any credit card agreements, applications, billing statements and other forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; PROVIDED that the Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of the Company, (ii) Persons who, in the sole judgment of The Limited, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates and (iii) in the case of disclosure, credit agencies. Subject to Section 9.3, the Company will not have any rights in any information or property of the Bank; PROVIDED that the Bank will provide the Company with such information the Bank owns with respect to Cardholders as the Company may reasonably request in order to develop potential marketing or credit strategies.

9.3. DATABASE. (a) it is the intention of the parties that the Bank will manage, maintain and develop an information marketing database (the "DATABASE") at its own expense, subject to a mutually satisfactory agreement with the Company pursuant to which (i) the Company will agree to utilize the Database, (ii) the Database will be accessible from the Company's offices and (iii) the Bank will provide

the Company with information maintained as part of the Database on terms that are no less favorable than those offered by the Bank to any other recipient of comparable information.

(b) Notwithstanding the foregoing, the Bank will, from time to time at the request of the Company, and without charge, promptly provide the Company with a list of the names and addresses of all Cardholders, all holders of other proprietary credit cards of the Company or any Affiliate of the Company (if issued by the Bank) and all other customers of the Business, any other business of the Company and the business of any other Affiliate of the Company. The Company shall reimburse the Bank for its costs of producing and shipping such list in the format required by the Company within 30 days after receipt of a request for such reimbursement from the Bank.

(c) Subject to Section 9.2, the Bank may make the Database available, and provide information marketing services to, third parties on terms reasonably determined by the Bank; PROVIDED that (i) the allocation among the Bank, the Company and The Limited of fees charged by the Bank to such third parties shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices and (ii) the Bank may not make the Database available, or provide information marketing services to, any Person who, in the sole judgment of The Limited, competes, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates.

9.4 ENVELOPE STUFFING

9.4.1. Subject to the right of the Bank to include in mailings to Cardholders periodic billing statements and any legal notices which the Bank believes are necessary or appropriate to send to Cardholders, the Company shall have the right to have materials advertising its products and services included in the envelopes containing the periodic statements. Such materials shall advertise only products and services related to the Business, shall (unless the Company provides the Bank with notice as provided below) be limited to seven panels per envelope and shall conform to size requirements established from time to time by the Bank with reasonable prior notice of any changes. The Company shall use reasonable efforts (i) to notify the Bank at least 15 days before the proposed date of any such inclusion and shall provide the Bank with a draft copy of any such advertising material at the time it notifies the Bank of such mailing and (ii) to provide the Bank with a seasonal marketing plan at least 30 days before the beginning date of each Season. The Company shall

provide the Bank with the materials to be included in the mailing not less than two Business Days prior to the initial insertion date. If the Company does not notify the Bank of any such inclusion at least seven days before the proposed date of such inclusion or if the material included does not take up the available space, the Bank may utilize the space remaining inside the envelopes for its own purposes; PROVIDED that (i) unless the Company provides the Bank with notice at least 45 days before the proposed inclusion date of the Company's intent to utilize more than seven panels per envelope, the Bank shall be entitled to utilize at least three panels (or two panels and one "bangtail", remittance envelope) per envelope for its own purposes and (ii) all materials included by the Bank shall be subject to the approval of the Company, which approval shall not be unreasonably withheld.

9.4.2. The Bank shall have the exclusive right to include in any mailing to Cardholders materials advertising products and services not related to the Business and the allocation between the Bank and the Company of the revenues generated thereby shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices; PROVIDED that such products and services and the related advertising materials shall be subject to the approval of the Company, which approval shall not be unreasonably withheld or delayed (it being understood that the Company may withhold such approval if it determines in its sole discretion that the advertising of such products or services is inconsistent with the image of the Business).

9.4.3. Notwithstanding the foregoing, (i) the Bank shall have the right to use its own "bangtail" remittance envelopes to promote credit life insurance to existing Cardholders no more than four times per year or two times per Season and (ii) all materials used, or sent to Cardholders, by the Bank under existing programs of the Bank (including, but not limited to, credit life insurance) shall not be subject to the approval of the Company.

9.4.4. The Bank shall provide timely specifications (including size and weight requirements) for all statement inserts, credit card carriers and "bangtail" remittance envelopes.

Section 10 INDEMNIFICATION; CLAIMS AND ACTIONS

10.1. INDEMNIFICATION BY THE COMPANY. The Company hereby indemnities the Bank, its Affiliates and the directors, officers, employees and agents of the Bank or any Affiliate of the Bank (each, a "RELATED PARTY") against, and agrees to hold them harmless from, any and all losses,

claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("DAMAGES") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by the Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of goods or rendering of services by the Company.

10.2. INDEMNIFICATION BY THE BANK. The Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by the Bank under this Agreement.

10.3. THIRD PARTY CLAIMS.

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

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

relating to goods purchased from the Company), even if the Company has been advised of the possibility of such claims.

10.4. DISPUTE RESOLUTION AND ACTIONS. The Bank and the Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 10.4.

10.5. LIMITATION ON ACTIONS. No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than one year after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

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

10.7. SURVIVAL. The provisions of this Section 10 shall survive the termination of this Agreement.

Section 11. TERMINATION.

11.1 TERM. This Agreement shall remain in effect until the tenth anniversary of the date hereof, shall be automatically extended until the twelfth anniversary of the date hereof if the Company does not give at least 12 months prior written notice of its objection to such extension and shall be further automatically extended in successive two-year increments if the Bank or the Company does not give at least 12 months prior written notice of its objection to such extension, unless earlier terminated (a) by the Bank or the Company in the event of a material breach by the other party of any of such other party's obligations under this Agreement if any such breach remains uncured 30 days after

written notice thereof to such party, (b) automatically in the event that the Bank or the Company commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereinafter in effect, seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its assets, consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or (c) by the Company upon not less than 60 days, prior written notice to the Bank at any time after the sixth anniversary of the date hereof if, based on the application of the attached matrix, the applicable discount rate exceeds the highest discount rate in such matrix and the costs to the Company under this Agreement are substantially higher than the costs that would be incurred by the Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; PROVIDED that the Company shall not be entitled to terminate this Agreement pursuant to clause (c) unless the Company provides the Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and is entitled to submit a counter-proposal within 30 days of receipt of such description. If the Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal or agrees to maintain the discount rate at the highest discount rate in the attached matrix, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in the Bank's counter-proposal. Subject to Section 11.2, the termination of this Agreement shall not affect the obligations of the Cardholders to the Bank, the obligation of the Company and the Bank to make the payments required under Section 4 with respect to Transactions that occurred before the date of termination, the rights of the Bank under Sections 4.4, 7.4 and 9.1 and the rights of the Company under Section 9.1. Sections 10, 11 and 12 of this Agreement shall survive any such termination.

11.2. EFFECT OF TERMINATION. Upon termination of this Agreement, the Company will have the option to purchase the then-outstanding Credit Card account balances not previously written-off by the Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to the Bank, and will be provided with all related account information and other account data; PROVIDED that the Company will be required to purchase such then-outstanding Credit Card account balances on such terms if the Company objects to any automatic

extension of this Agreement pursuant to Section 11.1. All payments by the Company pursuant to this Section 11.2 shall be made not later than one Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by the Bank to the Company not less than two Business Days prior to the payment date. Upon any termination of this Agreement, (i) the Company (at its sole expense) shall notify all Cardholders that the Bank is no longer the processor of their Credit Card accounts and (ii) the Company and the Bank shall cooperate in facilitating the transition to a new processor.

11.3. EXTENSION. Any services which the parties hereto mutually agree to be rendered after the termination of this Agreement shall be rendered pursuant to all of the terms and provisions of this Agreement.

Section 12. MISCELLANEOUS.

12.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given, if to the Company, to:

Bath & Body Works, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn. General Counsel
Telecopy: 614-479-7188

with a copy to:

The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn.: General Counsel
Telescopy: 614-479-7188

and a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attn: Dennis S. Hersch
Telecopy: 212-450-4800

and if to the Bank, to:

World Financial Network National
Bank 4590 East Broad Street
Columbus, Ohio 43213
Attn: Daniel T. Groomes
Telecopy: 614-755-3418

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 12.1.

12. 2. AMENDMENTS; NO WAIVERS.

12.2.1. Any provision of this Agreement may be amended only if such amendment is in writing and signed by all parties thereto.

12.2.2 No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

12.3. EXPENSES. All costs and expenses incurred in connection with the this Agreement or the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

12.4. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; PROVIDED that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party. Notwithstanding the foregoing, (i) the Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of the Bank, provided that any such assignee of the Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to the Company, (ii) the Company shall assign or otherwise transfer all of its rights and obligations under this Agreement (A) to the purchaser of all or substantially all of the assets of the Business or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to the Company or any successor (whether by merger, consolidation or otherwise) thereto, in each case subject to the execution by such assignee or transferee of an agreement to be bound by the provisions of this Agreement and (iii) the Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing

obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against the Company for any reason whatsoever and (E) the Bank hereby indemnities the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

12.5. GOVERNING LAWS. This Agreement shall be construed in accordance with and governed by the law of the State of New York (without regard to the choice of law provisions thereof).

12.6. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto or thereto shall have received a counterpart hereof signed by the other parties hereto.

12.7. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to such subject matter. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision thereof is intended to confer upon any Person other than the parties any rights or remedies hereunder.

12.8. JURISDICTION. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated thereby may be brought against any of the parties in the United States District Court for the Southern District of New York or any state court sitting in the City of New York, Borough of Manhattan, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 12.1, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

12.9. CAPTIONS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

12.10. DEFINED TERMS. The following terms, as used herein, shall have the following meanings:

12.10.1. "AFFILIATE" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the term "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

12.10.2. "BUSINESS DAY" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Columbus, Ohio are authorized or required by law to close.

12.10.3. "PERSON" means an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

12.10.4. "SEASON" means (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January.

12.11. FORCE MAJEURE. Notwithstanding the provisions of Section 8.3, neither the Bank nor its affiliates shall be liable in any manner to the Company for any failure to perform their obligations under this Agreement resulting in any manner from delay, failure in performance, loss or damage due to fire, strike, embargo, explosion, power blackout, earthquake, flood, war, the elements, labor disputes, civil or military authority, acts of God, public enemy, inability to secure fuel, acts or omissions of carriers or other causes beyond their reasonable control, whether or not similar to any of the foregoing (a "FORCE MAJEURE EVENT").

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

WORLD FINANCIAL
NETWORK NATIONAL BANK

By: /s/ Timothy Lyons

Name: Timothy Lyons

Title:

BATH & BODY WORKS, INC.

By: /s/ Timothy Lyons

Name: Timothy Lyons

Title:

TRI-STATE FACTORING, INC.

By: /s/ Timothy Lyons

Name: Timothy Lyons

Title:

Exhibit 10.2

CREDIT CARD PROCESSING AGREEMENT

This Credit Card Processing Agreement is made as of this 31st day of January, 1996 between WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association (the "BANK"), and Victoria's Secret Catalogue, Inc., a Delaware corporation (the "CORPORATION") and Far West Factoring, Inc., a Nevada corporation ("FACTORING") (the Corporation and Factoring being collectively referred to here in as the "COMPANY")

WHEREAS the Company and the Bank believe that it is desirable and in their respective best interests for the Bank to continue, in a manner generally consistent with past practices, to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Company's Victoria's Secret retail or catalogue business (the "BUSINESS") which will allow the customers of the Company to purchase goods from the Company using funds advanced by the Bank; and

WHEREAS in order to implement such arrangements, the parties hereto desire to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. TRADEMARKS. The Company hereby authorizes the Bank to use the trademark "Victoria's Secret" on credit cards owned or issued by the Bank, monthly billing statements, collection correspondence, credit card agreements, credit applications, customer service correspondence and in such other written and oral communications with cardholders as are necessary or convenient in connection with this Agreement, in each case consistent with past practices. The "Victoria's Secret" trademark is referred to herein as the "MARK". The Company shall have the right to approve in its sole discretion the "art" (including colors and font styles) for all proposed uses of the Mark by the Bank. The Bank shall not use the Mark for any purpose other than as set forth in the first sentence of this Section 1.

Section 2. CREDIT CARD SYSTEM.

2.1. NEW CREDIT CARDS.

2.1.1. ISSUANCE OF CREDIT CARDS. To the extent requested by the Company, the Bank will issue credit cards bearing the Mark ("CREDIT CARDS") to customers of the Business who apply for such Credit Cards and related

extensions of credit. Such customers (i) must qualify for the extension of credit under credit standards related to new account approvals, credit limits and authorization management ("CREDIT STANDARDS") which will be determined by the Bank from time to time and (ii) must accept the Bank's standard form of credit card agreement containing the terms and conditions governing extensions of credit to Persons who hold Credit Cards and their authorized users (attached hereto as Exhibit 2.1.1(a)). Notwithstanding the foregoing, (i) the Credit Standards established by the Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Business shall be consistent with past practices (as described in Exhibit 2.1.1(b)), with such changes as shall be (A) approved by the Company in its reasonable discretion or (B) determined by the Bank in good faith to be necessary from the standpoint of safe and sound banking practices and (ii) the Bank may make any change in the terms of its agreement with any person who holds a Credit Card (including repayment terms, fees and finance charge rates) after prior notice to and consultation with the Company. The Bank hereby confirms its understanding that the Company intends to offer and promote credit as outlined in Section 2.2. The Bank will bear the costs of the issuance of Credit Cards under this Section 2.1.

2.1.2. CREDIT MAXIMIZATION. The Company will be entitled to use credit related promotional strategies consistent with past practices. The Bank will work in good faith with the Company to develop business strategies with respect to the issuance of Credit Cards intended to maximize the potential of the Business and, in that regard, will consider in good faith proposals involving variances from the Bank's general Credit 'Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card; PROVIDED that subject to compliance with the provisions of Section 2.1.1, Credit Standards and the terms of such agreement shall in all circumstances be determined by the Bank. The terms of any program involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card, including (without limitation) fees or other charges to be paid by either party, shall be agreed on a program-by-program basis.

2.2. PROMOTION. The Company will use 'its reasonable efforts to promote the use of Credit Cards in the Business and to acquire new Cardholders (as defined below) for the Bank through the use of, for example, "instant credit," "quick credit," pre-approved solicitations, applications and promotional material displayed in stores and inserted in catalogues and special offers to CARDHOLDERS, in each case consistent with past practices. The costs incurred by the Company and the Bank (including,

among other things, the cost of printing application forms, promotional material, pre-approved solicitations and instant and quick credit contracts and the cost of special offers) will be borne by the Company and the Bank on terms to be negotiated from time to time in a manner consistent with past practices. The Bank shall have two Business Days to review for legal compliance all credit application forms and marketing materials (including, without limitation, those referred to above) prior to their being printed.

Section 3. ACCEPTANCE OF CREDIT CARDS. The Company will permit Persons who hold Credit Cards (subject to the restrictions of this Agreement) or other credit cards owned by the Bank that the Bank has designated and their authorized users ("CARDHOLDERS") to purchase goods sold by the Business without any cash payment by use of a Credit Card, subject to the following conditions:

3.1. CHARGE SLIP (CREDIT CARD PRESENTED). If the customer presents a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects the following:

3.1.1. A brief identification of the property or service purchased (the "TRANSACTION");

3.1.2. The date of the Transaction;

3.1.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.1.4. An imprint or electronic capture of the Credit Card account number or, in the event of equipment malfunction, a written notation of such account number; and

3.1.5. The Cardholder's signature.

3.2. CHARGE SLIP (CREDIT CARD NOT PRESENTED). The Bank acknowledges and agrees that a Cardholder need not present a Credit Card at the time of sale-and that, subject to Section 3.5, the Company may accept charges to a Credit Card verbally from the customer or via a written order form from the customer. If the customer does not present a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects, in lieu of the information set forth in Section 3.1.1 through 3.1.5, the following:

3.2.1. A brief identification of the Transaction;

3.2.2. The date of the Transaction;

3.2.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.2.4. A written notation of the Credit Card account number, which shall have been obtained from the customer and recorded in the Company's customer file;

3.2.5. The customer's name and address and, except in the case of catalogue purchases, personal identification type and number; and

3.2.6. If applicable, the name and address to where the merchandise which was the subject of the Transaction was shipped and the date and method of shipment.

3.3. RETENTION OF CHARGE SLIP. The Company will retain a legible copy of each charge slip for six months following the date of the Transaction and will provide such copy to the Bank within 30 days of the Bank's request therefor; PROVIDED that the Bank will request delivery of such information only in the case of a bona fide dispute (the existence of such dispute to be determined by the Bank in its reasonable discretion) relating to the underlying Transaction, upon the inquiry of the applicable Cardholder or as requested by auditors of the Bank in connection with their audit of the Bank's financial statements or by any governmental authority.

3.4. AUTHORIZATION. The Transaction is authorized by the Bank in accordance with the floor limits and other procedures in effect at the time or such authorization is dispensed with under rules established by the Bank from time to time in accordance with Section 8.3 to deal with situations in which authorization is not available because of disruption of the Bank's computer system or other causes provided for in such rules, consistent with past practice.

3.5. CHARGEBACKS. The Company agrees to accept as a chargeback any charge on a Credit Card where:

3.5.1. The Cardholder disputes the charge and the Company fails to provide a legible copy of the charge slip within 30 days of the Bank's request therefor in accordance with Section 3.3;

3.5.2. The Company failed to obtain authorization from the Bank in accordance with Section 3.4;

3.5.3. The Company failed to complete the-charge slip in accordance with Section 3.1 or 3.2, as applicable;

3.5.4. A Company employee fraudulently misused the Credit Card or account number;

3.5.5. A dispute arises from the Cardholder being charged or credited more than once for the same sale, payment or return;

3.5.6. A dispute with the Cardholder arises from a voided Transaction or an invalid Credit Card account number;

3.5.7. A dispute with the Cardholder arises from an improperly opened Credit Card account, or the account is otherwise uncollectible, where a Company employee failed to comply with new account procedures in effect at the time the account was opened;

3.5.8. The Bank, consistent with past practices, gives the Cardholder credit for (or accepts as payment) a non-expired discount coupon or gift certificate in respect of a prior purchase; or

3.5.9. A dispute arises from the Company's failure properly to identify a catalogue purchaser as the Cardholder where such failure results in merchandise being shipped without the actual Cardholder's authorization.

The amount charged back with supporting detail will be invoiced to the Company weekly, and all required payments by the Company shall be made within 30 'days after receipt of an invoice. If the Company pays the Bank any chargeback amount pursuant to this Section 3.5 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such chargeback from the Cardholder subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

Section 4. PAYMENT.

4.1. PAYMENT BY BANK.

4.1.1. The Bank will pay to the Company, as full consideration for any Transaction between the Company and any Cardholder using a Credit Card, as to which the Company has complied with the provisions of Section 3 above, the amount shown on the records of the Company for each Transaction, including all applicable shipping, handling and taxes, less a discount, which discount shall be equal to the discount rate determined in accordance with Section 4.1.5 (expressed as a fraction) multiplied by the amount shown on the records of the Company for each Transaction (exclusive of all applicable shipping, handling and taxes).

4.1.2. The Bank will pay such amount by transferring immediately available funds to an account designated by the Company at any bank to which the Bank may make electronic fund transfers before the end of the second Business Day following the receipt by the Bank of the information required by Section 3.1 or 3.2, such information to be properly formatted and edited and transferred via a telecommunications connection between the Company and the Bank pursuant to such computer programs and telecommunications protocols as the Bank may, in its reasonable discretion, designate from time to time, subject to reasonable prior notice. The Company will transmit (in the manner referred to above) to the Bank an audited and balanced file in the format specified by the Bank containing all such information within two Business Days after the occurrence of the underlying Transaction; PROVIDED that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, the Company will transmit such information relating to such store locations as soon as reasonably practicable after polling is completed.

4.1.3. The Company may not attempt to collect any amount from any Cardholder with respect to a Transaction which has been paid for by the Bank under this Section 4.1 and not charged back to the Company pursuant to Section 3.5.

4.1.4. The Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Cards ("IN-STORE PAYMENTS"). Any In-Store Payments received by the Company will be held in trust for the Bank and its assigns and netted against amounts payable by the Bank-pursuant to Section 4.1.1 (PROVIDED that the Company shall not be required to keep In-Store Payments separate from other payments received by the Company) and evidence of such payments will be transmitted to the Bank on a daily basis in accordance with the procedures set forth in Section 4.1.2. Notwithstanding the foregoing:

(a) if any bankruptcy or other insolvency proceeding has been commenced against the Company (and so long as the same has not been dismissed), the Company shall promptly comply with any written instruction (a "STORE PAYMENT NOTICE") received by the Company from the Bank or any successor to the Bank as "Servicer" under the Pooling and Servicing Agreement referred to below (the Bank or any such successor being the "SERVICER") to take either of the following actions (as specified in such instruction)

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

Pooling and Servicing Agreement to give such notice); or

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

PROVIDED that the Company need not take the actions specified in clause (i) or clause (ii) if the Company or any of its affiliates provides the Servicer or the Trustee under (and as defined in) the Pooling and Servicing Agreement with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all conditions specified in the Pooling and Servicing Agreement with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(b) if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, In-Store Payments shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this clause (b) and Section 4.2 is less than $10,000, by check), not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as the Company complies with instructions delivered in accordance with paragraph (a) or (b), any amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for In-Store Payments.

For purposes of the foregoing, the "POOLING AND SERVICING AGREEMENT" means the Pooling and Servicing Agreement dated as of January 17, 1996 among the Bank and The Bank of New York, as trustee, including each Supplement thereunder, as the same may be amended, supplemented or otherwise modified from time to time, except that no amendment, supplement or other modification to such Agreement that affects the circumstances in which the Company may be required to take the actions referred to in

paragraph (a) or (b) above or in Section 4.2.3 shall be given effect for purposes of this Agreement unless consented to by the Company.

4.1.5. DISCOUNT RATE. The applicable discount rate referred to in Section 4.1.1 shall be the then applicable discount rate determined in accordance with the matrix set forth in Exhibit 4.1.5; PROVIDED that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by the Bank to Cardholders, the Company and the Bank agree to negotiate in good faith an increase in the discount rate.

4.2. PAYMENT BY COMPANY. If the Bank has paid the Company for any Transaction and

4.2.1. If:

(a) the representations and warranties of the Company with respect to such Transaction, as set forth in Sections 5.1 through 5.3 below, are not true in all material respects; or

(b) any merchandise which was the subject of such Transaction is returned to the Company and the Company, pursuant to its policies concerning returned merchandise, accepts such merchandise for credit; or

(c) in order to settle a dispute concerning the nature, quality or quantity of goods purchased from the Company with the Credit Card, the Company agrees to refund all or part of the purchase price thereof; then

4.2.2. The Company:

(a) shall pay the Bank an amount equal to the face amount of such Transaction or portion thereof refunded to the customer, less any discount actually taken by the Bank when it made payment to the Company in consideration for such Transaction pursuant to Section 4.1.1;

(b) shall create a written memorandum of such Transaction setting forth the information required by Section 3 above (a "CREDIT MEMORANDUM");

(c) shall transmit the information contained in such Credit Memorandum to the Bank by the method of electronic transmission referred to in Section 4.1.2 above; and

(d) subject to Section 4.2.3, shall permit the payment required by this Section 4.2 to be netted against amounts payable by the Bank pursuant to Section 4.1:1. The

Company shall retain any such Credit Memorandum in the same manner and for the same time as the charge slip referred to in Section 3.3 and shall promptly deliver any such Credit Memorandum to the Bank upon its request. If the Company pays the Bank any amount for a Transaction pursuant to this Section 4.2 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such Transaction from the customer subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

4.2.3. Notwithstanding clause (d) of Section 4.2.2, if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, amounts payable by the Company pursuant to Section 4.2 ("ADJUSTMENT PAYMENTS") shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer the amount of each Adjustment Payment to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this Section 4.2 and clause (b) of Section 4.1.4 is less than $10,000, by check), not later than the second Business Day following the date on which the events giving risk to such Adjustment Payment occur (and amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for Adjustment Payments).

4.3. OTHER FEES.

4.3.1. DEFERRED PAYMENT. If any Transaction between the Company and any Cardholder using a Credit Card is consummated on a deferred payment basis (for which the period of deferral may not exceed 90 days), then for each month during the period of deferral, the Company will pay the Bank an amount equal to the Deferred Payment Rate for such month multiplied by the average daily balance of purchase price so deferred during such month. For purposes of this Section 4.3, "DEFERRED PAYMENT RATE" means, for any month, (i) if the debt of the Bank has an implied investment grade rating at all times during such month, the average interest rate paid by the Bank to obtain funds during such month, and (ii) if the debt of the Bank does not have an implied investment grade rating at all times during such month, the then-current reference rate or index maintained or provided by a nationally recognized investment banking firm (which firm shall be reasonably acceptable to the Company and the Bank) in respect of issuers whose debt has the lowest investment grade rating.

4.3.2. POSTAL RATE ADJUSTMENT. The Company agrees to reimburse the Bank for any costs incurred by the

Bank as a result of changes in postal rates or rules applicable to mailings to Cardholders after the date hereof; PROVIDED that the postal costs and postal discounts applicable to mailings to Cardholders shall be no less favorable than the postal costs and postal discounts applicable to comparable mailings to holders of any other credit cards issued by the Bank. The Bank and the Company agree to use their reasonable efforts to minimize postal costs and maximize postal discounts.

4.3.3. SPECIAL PROJECTS. With respect to special services provided by the Bank from time to time with respect to the Business (including, without limitation, consulting, surveys, gift certificate calls and fulfillment, rebate fulfillment, telemarketing and special processing or accounting reports required in connection with promotional activities), the Company will pay to the Bank amounts to be agreed on a program-by-program basis. To the extent not otherwise provided for in this Agreement, (i) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $1,000 without having first obtained prior written or oral authorization from the Company for such expenses; and (ii) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $50,000 without having first obtained prior written authorization from the Company for such expenses; PROVIDED that, in the event any terms of any such written authorization are in conflict with the terms of this Agreement, the terms of this Agreement shall be controlling.

4.3.4. PAYMENTS. All amounts payable by the Company under this Section 4.3 shall be paid by wire transfer of immediately available funds within 30 days after receipt of an invoice for such amounts.

4.4. SETOFFS. The Bank may at any time, in addition to all other rights and remedies available to it, setoff against any amount owing to the Company by the Bank under this Agreement, any amounts owing by the Company to the Bank under this Agreement.

4.5. INVOICE. The amount of any invoice prepared and delivered by the Bank under this Agreement shall be deemed to be correct, accurate and binding upon the Company if the Company makes no objection within 30 days After the date of such invoice; PROVIDED that the making of any objection shall not relieve the Company of its obligation to make full payment of the amount set forth on the related invoice when such amount is otherwise payable pursuant to this Section 4, it being understood that the Company does not waive its rights thereby and may, subject to Section

10.4, assert a claim with respect to such invoice in an appropriate proceeding.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Bank that:

5.1. VALID TRANSACTIONS. Each Transaction will be completed in compliance with the provisions of Section 3 and will create a valid, binding and legally enforceable obligation of the Cardholder whose name is shown on the Credit Card to pay to the Company the amount shown on the charge slip, which obligation to the Company will be discharged in full by the payment made to the Company by the Bank in respect of such Transaction under Section 4.1 above.

5.2. ACCURATE INFORMATION. Each charge slip will accurately reflect the Transaction described therein. Each charge slip and Credit Memorandum and any charge slip or Credit Memorandum information transmitted to the Bank by the Company will be complete and accurate and in a form deemed necessary by the Bank to allow Cardholder billing in accordance with applicable law. The Company will accurately report all returns and other credits to the Bank within the time period specified in Section 4.

5.3. NO LIENS. No amount due to the Company with respect to any Transaction will be subject to any lien or encumbrance in favor of any third party or to any offset, counterclaim or defense of any Person other than the Bank or its Affiliates.

5.4. MARK. The use of the Mark by the Bank under this Agreement does not infringe the rights of any other Person.

Section 6. REPRESENTATIONS AND WARRANTIES OF THE BANK. The Bank hereby represents and warrants to the Company that:

6.1. COMPLIANCE WITH LAWS. Each Credit Card and the related credit card agreement, all monthly billing statements and any collection efforts of the Bank conform and will conform in all material respects with all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws ("CONSUMER LAWS")

6.2 NON-CONTRAVENTION. The performance by the Bank of its obligations under this Agreement will not

conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Bank is party or by which the Bank is bound, nor will such performance result in any violation of the provisions of the articles of association or the by-laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

Section 7. COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with the Bank as follows:

7.1. CREDIT CARD NOTICES AND COMMUNICATIONS. The Company will, consistent with past practices, accept and turn over to the Bank promptly upon receipt thereof by the Company (i) subject to Section 4.1.4, any payments made by any Cardholder with respect to any Transaction or any Credit Card and (ii) any notices or other communications received by the Company with respect to any Credit Card including, without limitation, customer changes of address and other information on approved forms.

7.2. COMPLIANCE WITH APPLICABLE LAW. The Company will, at all times, comply in all material respects with all Consumer Laws.

7.3. RULES. The Company shall comply with such written rules and operating instructions relating to the use of the Credit Cards, the distribution of applications, Credit Card security, authorization procedures, "downtime" procedures and other matters related to this Agreement as the Bank may, from time to time, promulgate with prior notice to the Company; PROVIDED that such rules and operating instructions shall be consistent with past practices, with such changes as shall be approved by the Company in its reasonable discretion.

7.4. CARDHOLDER INQUIRIES AND COMPLAINTS. If a Cardholder makes an inquiry or complaint to the Company about the nature, quality or quantity of goods purchased from the Company with a Credit Card, or a Cardholder has made an inquiry or complaint to the Bank concerning the nature, quality or quantity of goods purchased from the Company with a Credit Card, the Company shall deal directly with the Cardholder to resolve any such complaint or inquiry. The Company shall answer all inquiries from the Bank about complaints made to the Bank by Cardholders within 10 days after the Company receives an inquiry from the Bank.

7.5. EQUIPMENT. The Company shall obtain and maintain at its own expense such point of sale and & authorization terminals, credit card imprinters and other

items of equipment as are necessary for it to receive authorizations, transmit charge slip and Credit Memorandum information, process credit applications and perform its obligations under this Agreement. Such point of sale and authorization terminals shall be capable of communicating with the computer equipment maintained by the Bank according to such computer programs and telecommunications protocols as may be specified by the Bank in its reasonable discretion from time to time subject to reasonable prior notice of any change in such equipment or protocols.

7.6. EXCLUSIVITY. The Company may not accept or promote any credit card as payment for its goods or services unless such credit card is a Credit Card, a proprietary credit card of another division of the Company or any Affiliate of the Company (whether or not issued by the Bank) or a credit card issued by a bank or other Person engaged in the business of issuing credit cards to Persons for the purpose of making payments to third parties generally under such names as Master Card, Visa, Discover, American Express or Optima. The Company may not issue its own credit cards or enter into an agreement with any third party under which credit cards bearing the Mark are issued; PROVIDED that after the second anniversary of the date hereof, the Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark and to accept any Bona Fide Offer by such third party if, at least 30 days prior to accepting such Bona Fide Offer, the Company provides the Bank with an opportunity to submit a competing offer with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark, which competing~offer, if it has terms at least as favorable to the Company as such Bona Fide Offer, shall be accepted by the Company in lieu of such Bona Fide Offer. For purposes of this Section 7.6, "BONA FIDE OFFER" means an offer to the Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in the Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to the Company, its Affiliates and other retail or catalogue merchants)

7.7. OBSOLETE MATERIALS. The Company shall reimburse the Bank for the cost of replacing reasonable amounts of obsolete forms and other materials if such replacement is requested by the Company due to changes in the Mark or in the logo, colors or styles used to identify or promote the Business.

Section 8. COVENANTS OF THE BANK. The Bank hereby covenants and agrees with the Company as follows:

8.1. COMPLIANCE WITH APPLICABLE LAW. The Bank will, in issuing, billing, administering, and collecting with respect to the Credit Cards and at all other times, comply in all material respects with all Consumer Laws.

8.2. COLLECTION. The Bank will use efforts to collect from

each Cardholder the purchase price and additional taxes and other charges of Transactions consistent with past practices and with its efforts to collect accounts receivable under other credit cards issued by it; PROVIDED that the Bank will initiate collection of any account receivable under a Credit Card at or before the time such account receivable is 60 days past due. The Bank will, consistent with past practices, determine the use and timing of dunning letters, statement messages and collection agents and will manage all written-off accounts (including, without limitation, the management of outside collection agencies) . The Bank may implement reasonable variances from past collection practices after prior notice to and consultation with the Company.

8.3. PERFORMANCE STANDARDS. In performing its obligations under this Agreement, subject to Section 12.11, the Bank shall comply with the performance standards set forth in Exhibit 8.3, as such performance standards may be modified from time to time at the reasonable request of the Bank or the Company. Within 10 days after the end of each fiscal month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards. Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

8.4. FORCE MAJEURE EVENT. After the occurrence of a Force Majeure Event (as defined in Section 12.11) which disrupts the availability of the services provided hereunder, the Bank may elect to reestablish the availability of such services. If any such Force Majeure Event comparably disrupts the performance of services similar to the services provided hereunder with respect to one or more other credit cards issued by the Bank, then the Bank shall reestablish the availability of such services to the same extent and within the same timetable under

comparable circumstances as the comparable services are reestablished with respect to such other credit cards. The Bank shall promptly notify the Company of any Force Majeure Event and shall inform the Company whether it will reestablish services and the timetable therefor. If the Bank chooses not to reestablish or take measures to reestablish such services within a reasonable period of time as would be indicated by sound business practice, the Company shall be free to obtain such services from any supplier thereof.

Section 9. PROPERTY RIGHTS.

9.1. RIGHTS OF THE COMPANY. The Company is the owner of the names and addresses of customers of the Business; PROVIDED that (i) as set forth in Section 9.2, the Bank is also the owner of such information with respect to customers of the Business who are also Cardholders and (ii) The Limited, Inc. ("THE LIMITED") is also the owner of such information with respect to customers of the Business until the second anniversary of the date, if any, on which the Company ceases to be an Affiliate of The Limited.

9.2. RIGHTS OF BANK. Except as set forth in Section 9.1, the Bank is the owner of all information relating to the Cardholders (including names and addresses) and the Credit Cards, the copyright to all written material contained in any credit card agreements, applications, billing statements and other forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; PROVIDED that the Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of the Company, (ii) Persons who, in the sole judgment of The Limited, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates and (iii) in the case of disclosure, credit agencies. Subject to Section 9.3, the Company will not have any rights in any information or property of the Bank; PROVIDED that the Bank will provide the Company with such information the Bank owns with respect to Cardholders as the Company may reasonably request in order to develop potential marketing or credit strategies.

9.3. DATABASE. (a) It is the intention of the parties that the Bank will manage, maintain and develop an information marketing database (the "DATABASE") at its own expense, subject to a mutually satisfactory agreement with the Company pursuant to which (i) the Company will agree to utilize the Database, (ii) the Database will be accessible from the Company's offices and (iii) the Bank will provide

the Company with information maintained as part of the Database on terms that are no less favorable than those offered by the Bank to any other recipient of comparable information.

(b) Notwithstanding the foregoing, the Bank will, from time to time at the request of the Company, and without charge, promptly provide the Company with a list of the names and addresses of all Cardholders, all holders of other proprietary credit cards of the Company or any Affiliate of the Company (if issued by the Bank) and all other customers of the Business, any other business of the Company and the business of any other Affiliate of the Company. The Company shall reimburse the Bank for its costs of producing and shipping such list in the format required by the Company within 30 days after receipt of a request for such reimbursement from the Bank.

(c) Subject to Section 9.2, the Bank may make the Database available, and provide information marketing services to, third parties on terms reasonably determined by the Bank; PROVIDED that (i) the allocation among the Bank, the Company and The Limited of fees charged by the Bank to such third parties shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices and (ii) the Bank may not make the Database available, or provide information marketing services to, any Person who, in the sole judgment of The Limited, competes, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates.

9.4. ENVELOPE STUFFING.

9.4.1. Subject to the right of the Bank to include in mailings to Cardholders periodic billing statements and any legal notices which the Bank believes are necessary or appropriate to send to Cardholders, the Company shall have the right to have materials advertising its products and services included in the envelopes containing the periodic statements. Such materials shall advertise only products and services related to the Business, shall (unless the Company provides the Bank with notice as provided below) be limited to seven panels per envelope and shall conform to size requirements established from time to time by the Bank with reasonable prior notice of any changes. The Company shall use reasonable efforts (i) to notify the Bank at least 15 days before the proposed date of any such inclusion and shall provide the Bank with a draft copy of any such advertising material at the time it notifies the Bank of such mailing and (ii) to provide the Bank with a seasonal marketing plan at least 30 day&, before the beginning date of each Season. The Company shall

provide the Bank with the materials to be included in the mailing not less than two Business Days prior to the initial insertion date. If the Company does not notify the Bank of any such inclusion at least seven days before the proposed date of such inclusion or if the material included does not take up the available space, the Bank may utilize the space remaining inside the envelopes for its own purposes; PROVIDED that (i) unless the Company provides the Bank with notice at least 45 days before the proposed inclusion date of the Company's intent to utilize more than seven panels per envelope, the Bank shall be entitled to utilize at least three panels (or two panels and one "bangtail" remittance envelope) per envelope for its own purposes and (ii) all materials included by the Bank shall be subject to the approval of the Company, which approval shall not be unreasonably withheld.

9.4.2. The Bank shall have the exclusive right to include in any mailing to Cardholders materials advertising products and services not related to the Business and the allocation between the Bank and the Company of the revenues generated thereby shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices; PROVIDED that such products and services and the related advertising materials shall be subject to the approval of the Company, which approval shall not be unreasonably withheld or delayed (it being understood that the Company may withhold such approval if it determines in its sole discretion that the advertising of such products or services is inconsistent with the image of the Business)

9.4.3. Notwithstanding the foregoing, (i) the Bank shall have the right to use its own "bangtail" remittance envelopes to promote credit life insurance to existing Cardholders no more than four times per year or two times per Season and (ii) all materials used, or sent to Cardholders, by the Bank under existing programs of the Bank (including, but not limited to, credit life insurance) shall not be subject to the approval of the Company.

9.4.4. The Bank shall provide timely specifications (including size and weight requirements) for all statement inserts, credit card carriers and "bangtail" remittance envelopes.

Section 10. INDEMNIFICATION; CLAIMS AND ACTIONS.

10.1. INDEMNIFICATION BY THE COMPANY. The Company hereby indemnifies the Bank, its Affiliates and the directors, officers, employees and agents of the Bank or any Affiliate of the Bank (each, a "Related Party") against, and agrees to hold them harmless from, any and all losses,

claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("DAMAGES") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by the Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of goods or rendering of services by the Company.

10.2. INDEMNIFICATION BY THE BANK. The Bank hereby indemnifies the Company and its Related Parties against- and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by the Bank under this Agreement.

10.3. THIRD PARTY CLAIMS.

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

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

relating to goods purchased from the Company), even if the Company has been advised of the possibility of such claims.

10.4. DISPUTE RESOLUTION AND ACTIONS. The Bank and the Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 10.4.

10.5. LIMITATION ON ACTIONS. No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than one year after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

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

10.7. SURVIVAL. The provisions of this Section 10 shall survive the termination of this Agreement.

Section 11. TERMINATION.

11.1 TERM. This Agreement shall remain in effect until the tenth anniversary of the date hereof, shall be automatically extended until the twelfth anniversary of the date hereof if the Company does not give at least 12 months' prior written notice of its objection to such extension and shall be further automatically extended in successive two-year increments if the Bank or the Company does not give at least 12 months' prior written notice of its objection to such extension, unless earlier terminated (a) by the Bank or the Company in the event of a material breach by the other party of any of such other party's obligations under&this Agreement if any such breach remains uncured 30 days after

written notice thereof to such party, (b) automatically in the event, that the Bank or the Company commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereinafter in effect, seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its assets, consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or (c) by the Company upon not less than 60 days' prior written notice to the Bank at any time after the sixth anniversary of the date hereof if, based on the application of the attached matrix, the applicable discount rate exceeds the highest discount rate in such matrix and the costs to the Company under this Agreement are substantially higher than the costs that would be incurred by the Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; PROVIDED that the Company shall not be entitled to terminate this Agreement pursuant to clause (c) unless the Company provides the Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and is entitled to submit a counter-proposal within 30 days of receipt of such description. If the Bank submits a counter- proposal with terms substantially similar to those set forth in such third party's proposal or agrees to maintain the discount rate at the highest discount rate in the attached matrix, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in the Bank's counter- proposal. Subject to Section 11.2, the termination of this Agreement shall not affect the obligations of the Cardholders to the Bank, the obligation of the Company and the Bank to make the payments required under Section 4 with respect to Transactions that occurred before the date of termination, the rights of the Bank under Sections 4.4, 7.4 and 9.1 and the rights of the Company under Section 9.1. Sections 10, 11 and 12 of this Agreement shall survive any such termination.

11.2. EFFECT OF TERMINATION. Upon termination of this Agreement, the Company will have the option 'to purchase the then-outstanding Credit Card account balances not previously written-off by the Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to the Bank, and will be provided with all related account information and other account data; PROVIDED that the Company will be required to purchase such then-outstanding Credit Card account balances on such terms if the Company objects to any automatic

extension of this Agreement pursuant to Section 11.1. All payments by the Company pursuant to this Section 11.2 shall be made not later than one Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by the Bank to the Company not less than two Business Days prior to the payment date. Upon any termination of this Agreement, (i) the Company (at its sole expense) shall notify all Cardholders that the Bank is no longer the processor of their Credit Card accounts and (ii) the Company and the Bank shall cooperate in facilitating the transition to a new processor.

11.3. EXTENSION. Any services which the parties hereto mutually agree to be rendered after the termination of this Agreement shall be rendered pursuant to all of the terms and provisions of this Agreement.

Section 12. MISCELLANEOUS.

12.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given, if to the Company, to:

Victoria's Secret Catalogue, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

with a copy to:

The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

and a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attn: Dennis S. Hersch
Telecopy: 212-450-4800

and if to the Bank, to:

World Financial Network National Bank
4590 East Broad Street
Columbus, Ohio 43213
Attn: Daniel T. Groomes
Telecopy: 614-755-3418

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 12.1.

12.2. AMENDMENTS; NO WAIVERS.

12.2.1. Any provision of this Agreement may be amended only if such amendment is in writing and signed by all parties thereto.

12.2.2. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusiVe of any rights or remedies provided by law.

12.3. EXPENSES. All costs and expenses incurred in connection with the this Agreement or the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

12.4. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; PROVIDED that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party. Notwithstanding the foregoing, (i) the Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of the Bank, provided that any such assignee of the Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to the Company, (ii) the Company shall assign or otherwise transfer all of its rights and obligations under this Agreement (A) to the purchaser of all or substantially all of the assets of the Business or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to the Company or any successor (whether by merger, consolidation or otherwise) thereto, in each case subject to the execution by such assignee or transferee of an agreement to be bound by the provisions of this Agreement and (iii) the Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing

obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against the Company for any reason whatsoever and (B) the Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser)

12.5. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the law of the State of New York (without regard to the choice of law provisions thereof)

12.6. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto or thereto shall have received a counterpart hereof signed by the other parties hereto.

12.7. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to such subject matter. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision thereof is intended to confer upon any Person other than the parties any rights or remedies hereunder.

12.8. JURISDICTION. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated thereby may be brought against any of the parties in the United States District Court for the Southern District of New York or any state court sitting in the City of New York, Borough of Manhattan, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 12.1, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

12.9. CAPTIONS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

12.10. DEFINED TERMS. The following terms, as used herein, shall have the following meanings:

12.10.1. "AFFILIATE" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

12.10.2. "BUSINESS DAY" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Columbus, Ohio are authorized or required by law to close.

12.10.3. "PERSON" means an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

12.10.4. "SEASON" means (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month, of January.

12.11. FORCE MAJEURE. Notwithstanding the provisions of Section 8.3, neither the Bank nor its affiliates shall be liable in any manner to the Company for any failure to perform their obligations under this Agreement resulting in any manner from delay, failure in performance, loss or damage due to fire, strike, embargo, explosion, power blackout, earthquake, flood, war, the elements, labor disputes, civil or military authority, acts of God, public enemy, inability to secure fuel, acts or omissions of carriers or other causes beyond their reasonable control, whether or not similar to any, of the foregoing (a "FORCE MAJEURE EVENT").

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

WORLD FINANCIAL NETWORK
NATIONAL BANK

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

VICTORIA'S SECRET CATALOGUE, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

FAR WEST FACTORING, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

AGREEMENT AND CONSENT IN WRITING TO ASSIGNMENT

THIS AGREEMENT AND CONSENT IN WRITING TO ASSIGNMENT is made as of May 2, 1998 among WORLD FINANCIAL NETWORK NATIONAL BANK ("Bank"), a Delaware corporation, VICTORIA'S SECRET CATALOGUE, INC. ("Company"), a Delaware corporation, and VICTORIA'S SECRET CATALOGUE, LLC ("VSCLLC"), a Delaware limited liability company.

WITNESSETH:

WHEREAS, Bank and Company are parties to a certain Credit Card Processing Agreement dated as of January 31, 1996 (the "Agreement"); and

WHEREAS, Section 12.4 of the Agreement provides that neither the Agreement nor any rights or obligations therein granted to or binding upon Company may be assigned, delegated or transferred by Company without the prior written consent of Bank; and

WHEREAS, Section 12.4 of the Agreement also provides that any assignment by Company to any corporation which is a successor by merger, consolidation or otherwise is subject to the execution by such assignee of an agreement to be bound by the provisions of the Agreement; and

WHEREAS, Company desires to merge into VSCLLC, and Company further desires to assign and transfer its interest in the Agreement and all of its rights and obligations thereunder to VSCLLC; and

WHEREAS, Bank desires to consent to such assignment and transfer and VSCLLC desires to accept such assignment and transfer and agree to be bound by the provisions of the Agreement.

NOW, THEREFORE, pursuant to Section 12.4 of the Agreement, Bank hereby consents in writing to the assignment and transfer by Company to VSCLLC of all of Company's interest in the Agreement and all of Company's rights and obligations thereunder. In addition, Company hereby assigns and transfers all of its interest in the Agreement and all of its rights and obligations thereunder to VSCLLC, and VSCLLC hereby accepts such assignment and transfer and agrees to be bound by the provisions of the Agreement.

WORLD FINANCIAL NETWORK NATIONAL BANK

By: /s/ Carolyn S. Melvin

Carolyn S. Melvin, Vice President, Secretary, and General Counsel

VICTORIA'S SECRET CATALOGUE, INC.

By: /s/ Timothy B. Lyons

Timothy B. Lyons, Secretary

VICTORIA'S SECRET CATALOGUE, LLC

By: /s/ Timothy B. Lyons

Timothy B. Lyons, Secretary

Exhibit 10.3

CREDIT CARD PROCESSING AGREEMENT

This Credit Card Processing Agreement is made as of this 31st day of January, 1996 between WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association (the "BANK"), and Victoria's Secret Stores, Inc., a Delaware corporation (the "CORPORATION") and Lone Mountain Factoring, Inc., a Nevada corporation ("FACTORING") (the Corporation and Factoring being collectively referred to herein as the "COMPANY").

WHEREAS the Company and the Bank believe that it is desirable and in their respective best interests for the Bank to continue, in a manner generally consistent with past practices, to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Company's Victoria's Secret retail or catalogue business (the "Business") which will allow the customers of the Company to purchase goods from the Company using funds advanced by the Bank; and

WHEREAS in order to implement such arrangements, the parties hereto desire to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. TRADEMARKS. The Company hereby authorizes the Bank to use the trademark "Victoria's Secret", on credit cards owned or issued by the Bank, monthly billing statements, collection correspondence, credit card agreements, credit applications, customer service correspondence and in such other written and oral communications with cardholders as are necessary or convenient in connection with this Agreement, in each case consistent with past practices. The "Victoria's Secret" trademark is referred to herein as the "MARK". The Company shall have the right to approve in its sole discretion the "art" (including colors and font styles) for all proposed uses of the Mark by the Bank. The Bank shall not use the Mark for any purpose other than as set forth in the first sentence of this Section l.

Section 2. CREDIT CARD SYSTEM.

2.1. NEW CREDIT CARDS.

2.1.1. ISSUANCE OF CREDIT CARDS. To the extent requested by the Company, the Bank will issue credit cards bearing the Mark ("CREDIT CARDS") to customers of the Business who apply for such Credit Cards and related

extensions of credit. Such customers (i) must qualify for the extension of credit under credit standards related to new account approvals, credit limits and authorization management ("CREDIT STANDARDS") which will be determined by the Bank from time to time and (ii) must accept the Bank's standard form of credit card agreement containing the terms and conditions governing extensions of credit to Persons who hold Credit Cards and their authorized users (attached hereto as Exhibit 2.1.1(a)). Notwithstanding the foregoing, (i) the Credit Standards established by the Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Business shall be consistent with past practices (as described in Exhibit 2.1.1(b)), with such changes as shall be (A) approved by the Company in its reasonable discretion or (B) determined by the Bank in good faith to be necessary from the standpoint of safe and sound banking practices and (ii) the Bank may make any change in the terms of its agreement with any person who holds a Credit Card (including repayment terms, fees and finance charge rates) after prior notice to and consultation with the Company. The Bank hereby confirms its understanding that the Company intends to offer and promote credit as outlined in Section 2.2. The Bank will bear the costs of the issuance of Credit Cards under this Section 2.1.

2.1.2. CREDIT MAXIMIZATION. The Company will be entitled to use credit related promotional strategies consistent with past practices. The Bank will work in good faith with the Company to develop business strategies with respect to the issuance of Credit Cards intended to maximize the potential of the Business and, in that regard, will consider in good faith proposals involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card; PROVIDED that subject to compliance with the provisions of Section 2.1.1, Credit Standards and the terms of such agreement shall in all circumstances be determined by the Bank. The terms of any program involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card, including (without limitation) fees or other charges to be paid by either party, shall be agreed on a program-by-program basis.

2.2. PROMOTION. The Company will use its reasonable efforts to promote the use of Credit Cards in the Business and to acquire new Cardholders (as defined below), for the Bank through the use of, for example, "instant credit," "quick credit," pre-approved solicitations, applications and promotional material displayed in stores and inserted in catalogues and special offers to Cardholders, in each case consistent with past practices. The costs incurred by the Company and the Bank (including,

among other things, the cost of printing application forms, promotional material, pre-approved solicitations and instant and quick credit contracts and the cost of special offers) will be borne by the Company and the Bank on terms to be negotiated from time to time in a manner consistent with past practices. The Bank shall have two Business Days to review for legal compliance all credit application forms and marketing materials (including, without limitation, those referred to above) prior to their being printed.

Section 3. ACCEPTANCE OF CREDIT CARDS. The Company will

permit Persons who hold Credit Cards (subject to the restrictions of this Agreement) or other credit cards owned by the Bank that the Bank has designated and their authorized users ("CARDHOLDERS") to purchase goods sold by the Business without any cash payment by use of a Credit Card, subject to the following conditions:

3.1. CHARGE SLIP (CREDIT CARD PRESENTED). If the customer presents a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects the following:

3.1.1. A brief identification of the property or service purchased (the "TRANSACTION");

3.1.2. The date of the Transaction;

3.1.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.1.4. An imprint or electronic capture of the Credit Card account number or, in the event of equipment malfunction, a written notation of such account number; and

3.1.5. The Cardholder's signature.

3.2. CHARGE SLIP (CREDIT CARD NOT PRESENTED). The Bank acknowledges and agrees that a Cardholder need not present a Credit Card at the time of sale and that, subject to Section 3.5, the Company may accept charges to a Credit Card verbally from the customer or via a written order form from the customer. If the customer does not present a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects, in lieu of the information set forth in Section 3.1.1 through 3.1.5, the following:

3.2.1. A brief identification of the Transaction;

3.2.2. The date of the Transaction;

3.2.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.2.4. A written notation of the Credit Card account number, which shall have been obtained from the customer and recorded in the Company's customer file;

3.2.5. The customer's name and address and, except in the case of catalogue purchases, personal identification type and number; and

3.2.6. If applicable, the name and address to where the merchandise which was the subject of the Transaction was shipped and the-date and method of shipment.

3.3. RETENTION OF CHARGE SLIP. The Company will retain a legible copy of each charge slip for six months following the date of the Transaction and will provide such copy to the Bank within 30 days of the Bank's request therefor; PROVIDED that the Bank will request delivery of such information only in the case of a bona fide dispute (the existence of such dispute to be determined by the Bank in its reasonable discretion) relating to the underlying Transaction, upon the inquiry of the applicable Cardholder or as requested by auditors of the Bank in connection with their audit of the Bank's financial statements or by any governmental authority.

3.4. AUTHORIZATION. The Transaction is authorized by the Bank in accordance with the floor limits and other procedures in effect at the time or such authorization is dispensed with under rules established by the Bank from time to time in accordance with Section 8.3 to deal with situations in which authorization is not available because of disruption of the Bank's computer system or other causes provided for in such rules, consistent with past practice.

3.5. CHARGEBACKS. The Company agrees to accept as a chargeback any charge on a Credit Card where:

3.5.1. The Cardholder disputes the charge and the Company fails to provide a legible copy of the charge slip within 30 days of the Bank's request therefor in accordance with Section 3.3;

3.5.2. The Company failed to obtain authorization from the Bank in accordance with Section 3.4;

3.5.3. The Company failed to complete the charge slip in accordance with Section 3.1 or 3.2, as applicable;

3.5.4. A Company employee fraudulently misused the Credit Card or account number;

3.5.5. A dispute arises from the Cardholder being charged or credited more than once for the same sale, payment or return;

3.5.6. A dispute with the Cardholder arises from a voided Transaction or an invalid Credit Card account number;

3.5.7. A dispute with the Cardholder arises from an improperly opened Credit Card account, or the account is otherwise uncollectible, where a Company employee failed to comply with new account procedures in effect at the time the account was opened;

3.5.8. The Bank, consistent with past practices, gives the Cardholder credit for (or accepts as payment) a non-expired discount coupon or gift certificate in respect of a prior purchase; or

3.5.9. A dispute arises from the Company's failure properly to identify a catalogue purchaser as the Cardholder where such failure results in merchandise being shipped without the actual Cardholder's authorization.

The amount charged back with supporting detail will be invoiced to the Company weekly, and all required payments by the Company shall be made within 30 days after receipt of an invoice. If the Company pays the Bank any chargeback amount pursuant to this Section 3.5 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such chargeback from the Cardholder subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

Section 4. PAYMENT.

4.1. PAYMENT BY BANK.

4.1.1. The Bank will pay to the Company, as full consideration for any Transaction between the Company and any Cardholder using a Credit Card, as to which the Company has complied with the provisions of Section 3 above, the amount shown on the records of the Company for each Transaction, including all applicable shipping, handling and taxes, less a discount, which discount shall be equal to the discount rate determined in accordance with Section 4.1.5 (expressed as a fraction) multiplied by the amount shown on the records of the Company for each Transaction (exclusive of all applicable shipping, handling and taxes).

4.1.2. The Bank will pay such amount by transferring immediately available funds to an account designated by the Company at any bank to which the Bank may make electronic fund transfers before the end of the second Business Day following the receipt by the Bank of the information required by Section 3.1 or 3.2, such information to be properly formatted and edited and transferred via a telecommunications connection between the Company and the Bank pursuant to such computer programs and telecommunications protocols as the Bank may, in its reasonable discretion, designate from time to time, subject to reasonable prior notice. The Company will transmit (in the manner referred to above) to the Bank an audited and balanced file in the format specified by the Bank containing all such information within two Business Days after the occurrence of the underlying Transaction; PROVIDED that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, the Company will transmit such information relating to such store locations as soon as reasonably practicable after polling is completed.

4.1.3. The Company may not attempt to collect any amount from any Cardholder with respect to a Transaction which has been paid for by the Bank under this Section 4.1 and not charged back to the Company pursuant to Section 3.5.

4.1.4. The Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Cards ("IN-STORE PAYMENTS"). Any In-Store Payments received by the Company will be held in trust for the Bank and its assigns and netted against amounts payable by the Bank pursuant to Section 4.1.1 (PROVIDED that the Company shall not be required to keep In-Store Payments separate from other payments received by the Company) and evidence of such payments will be transmitted to the Bank on a daily basis in accordance with the procedures set forth in Section 4.1.2. Notwithstanding the foregoing:

(a) if any bankruptcy or other insolvency proceeding has been commenced against the Company (and so long as the same has not been dismissed), the Company shall promptly comply with any written instruction (a "STORE PAYMENT NOTICE") received by the Company from the Bank or any successor to the Bank as "SERVICER" under the Pooling and Servicing Agreement referred to below (the Bank or any such successor being the "SERVICER") to take either of the following actions (as specified in such instruction):

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

Pooling and Servicing Agreement to give such notice); or

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

PROVIDED that the Company need not take the actions specified in clause (i) or clause (ii) if the Company or any of its affiliates provides the Servicer or the Trustee under (and as defined in) the Pooling and Servicing Agreement with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all conditions specified in the Pooling and Servicing Agreement with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(b) if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, In-Store Payments shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this clause (b) and Section 4.2 is less than $10,000, by check), not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as the Company complies with instructions delivered in accordance with paragraph (a) or (b), any amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for In-Store Payments.

For purposes of the foregoing, the "POOLING AND SERVICING AGREEMENT" means the Pooling and Servicing Agreement dated as of January 17, 1996 among the Bank and The Bank of New York, as trustee, including each Supplement thereunder, as the same may be amended, supplemented or otherwise modified from time to time, except that no amendment, supplement or other modification to such Agreement that affects the circumstances in which the Company may be required to take the actions referred to in

paragraph (a) or (b) above or in Section 4.2.3 shall be given effect for purposes of this Agreement unless consented to by the Company.

4.1.5. DISCOUNT RATE. The applicable discount rate referred to in Section 4.1.1 shall be the then applicable discount rate determined in accordance with the matrix set forth in Exhibit 4.1.5; PROVIDED that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by the Bank to Cardholders, the Company and the Bank agree to negotiate in good faith an increase in the discount rate.

4.2. PAYMENT BY COMPANY. If the Bank has paid the Company for any Transaction and

4.2.1. If:

(a) the representations and warranties of the Company with respect to such Transaction, as set forth in Sections 5.1 through 5.3 below, are not true in all material respects; or

(b) any merchandise which was the subject of such Transaction is returned to the Company and the Company, pursuant to its policies concerning returned merchandise, accepts such merchandise for credit; or

(c) in order to settle a dispute concerning the nature, quality or quantity of goods purchased from the Company with the Credit Card, the Company agrees to refund all or part of the purchase price thereof; then

4.2.2. The Company:

(a) shall pay the Bank an amount equal-to the face amount of such Transaction or portion thereof refunded to the customer, less any discount actually taken by the Bank when it made payment to the Company in consideration for such Transaction pursuant to Section 4.1.1;

(b) shall create a written memorandum of such Transaction setting forth the information required by Section 3 above (a "CREDIT MEMORANDUM");

(c) shall transmit the information contained in such Credit Memorandum to the Bank by the method of electronic transmission referred to in Section 4.1.2 above; and

(d) subject to Section 4.2.3, shall permit the payment required by this Section 4.2 to be netted against amounts payable by the Bank pursuant to Section 4.1.1. The

Company shall retain any such Credit Memorandum in the same manner and for the same time as the charge slip referred to in Section 3.3 and shall promptly deliver any such Credit Memorandum to the Bank upon its request. If the Company pays the Bank any amount for a Transaction pursuant to this Section 4.2 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such Transaction from the customer subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

4.2.3. Notwithstanding clause (d) of Section 4.2.2, if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, amounts payable by the Company pursuant to Section 4.2 ("ADJUSTMENT PAYMENTS") shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer the amount of each Adjustment Payment to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this Section 4.2 and clause (b) of Section 4.1.4 is less than $10,000, by check), not later than the second Business Day following the date on which the events giving risk to such Adjustment Payment occur (and amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for Adjustment Payments).

4.3. OTHER FEES.

4.3.1. DEFERRED PAYMENT. If any Transaction between the Company and any Cardholder using a Credit Card is consummated on a deferred payment basis (for which the period of deferral may not exceed 90 days), then for each month during the period of deferral, the Company will pay the Bank an amount equal to the Deferred Payment Rate for such month multiplied by the average daily balance of purchase price so deferred during such month. For purposes of this Section 4.3, "DEFERRED PAYMENT RATE" means, for any month, (i) if the debt of the Bank has an implied investment grade rating at all times during such month, the average interest rate paid by the Bank to obtain funds during such month, and (ii) if the debt of the Bank does not have an implied investment grade rating at all times during such month, the then-current reference rate or index maintained or provided by a nationally recognized investment banking firm (which firm shall be reasonably acceptable to the Company and the Bank) in respect of issuers whose debt has the lowest investment grade rating.

4.3.2. POSTAL RATE ADJUSTMENT. The Company agrees to reimburse the Bank for any costs incurred by the

Bank as a result of changes in postal rates or rules applicable to mailings to Cardholders after the date hereof; PROVIDED that the postal costs and postal discounts applicable to mailings to Cardholders shall be no less favorable than the postal costs and postal discounts applicable to comparable mailings to holders of any other credit cards issued by the Bank. The Bank and the Company agree to use their reasonable efforts to minimize postal costs and maximize postal discounts.

4.3.3. SPECIAL PROJECTS. With respect to special services provided by the Bank from time to time with respect to the Business (including, without limitation, consulting, surveys, gift certificate calls and fulfillment, rebate fulfillment, telemarketing and special processing or accounting reports required in connection with promotional activities), the Company will pay to the Bank amounts to be agreed on a program-by-program basis. To the extent not otherwise provided for in this Agreement, (i) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $1,000 without having first obtained prior written or oral authorization from the Company for such expenses; and (ii) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $50,000 without having first obtained prior written authorization from the Company for such expenses; PROVIDED that, in the event any terms of any such written authorization are in conflict with the terms of this Agreement, the terms of this Agreement shall be controlling.

4.3.4. PAYMENTS. All amounts payable by the Company under this Section 4.3 shall be paid by wire transfer of immediately available funds within 30 days after receipt of an invoice for such amounts.

4.4. SETOFFS. The Bank may at any time, in addition to all other rights and remedies available to it, setoff against any amount owing to the Company by the Bank under this Agreement, any amounts owing by the Company to the Bank under this Agreement.

4.5. INVOICE. The amount of any invoice prepared and delivered by the Bank under this Agreement shall be deemed to be correct, accurate and binding upon the Company if the Company makes no objection within 30 days after the date of such invoice; PROVIDED that the making of any objection shall not relieve the Company of its obligation to make full payment of the amount set forth on the related invoice when such amount is otherwise payable pursuant to this Section 4, it being understood that the Company does not waive its rights thereby and may, subject to Section

10.4, assert a claim with respect to such invoice in an appropriate proceeding.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Bank that:

5.1. VALID TRANSACTIONS. Each Transaction will be completed in compliance with the provisions of Section 3 and will create a valid, binding and legally enforceable obligation of the Cardholder whose name is shown on the Credit Card to pay to the Company the amount shown on the charge slip, which obligation to the Company will be discharged in full by the payment made to the Company by the Bank in respect of such Transaction under Section 4.1 above.

5.2. ACCURATE INFORMATION. Each charge slip will accurately reflect the Transaction described therein. Each charge slip and Credit Memorandum and any charge slip or Credit Memorandum information transmitted to the Bank by the Company will be complete and accurate and in a form deemed necessary by the Bank to allow Cardholder billing in accordance with applicable law. The Company will accurately report all returns and other credits to the Bank within the time period specified in Section 4.

5.3. NO LIENS. No amount due to the Company with respect to any Transaction will be subject to any lien or encumbrance in favor of any third party or to any offset, counterclaim or defense of any Person other than the Bank or its Affiliates.

5.4. MARK. The use of the Mark by the Bank under this Agreement does not infringe the rights of any other Person.

Section 6. REPRESENTATIONS AND WARRANTIES OF THE BANK. The Bank hereby represents and warrants to the Company that:

6.1. COMPLIANCE WITH LAWS. Each Credit Card and the related credit card agreement, all monthly billing statements and any collection efforts of the Bank conform and will conform in all material respects with all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws ("CONSUMER LAWS")

6.2 NON-CONTRAVENTION. The performance by the Bank of its obligations under this Agreement will not

conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Bank is party or by which the Bank is bound, nor will such performance result in any violation of the provisions of the articles of association or the by-laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

Section 7. COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with the Bank as follows:

7.1. CREDIT CARD NOTICES AND COMMUNICATIONS. The Company will, consistent with past practices, accept and turn over to the Bank promptly upon receipt thereof by the Company (i) subject to Section 4.1.4, any payments made by any Cardholder with respect to any Transaction or any Credit Card and (ii) any notices or other communications received by the Company with respect to any Credit Card including, without limitation, customer changes of address and other information on approved forms.

7.2. COMPLIANCE WITH APPLICABLE LAW. The Company will, at all times, comply in all material respects with all Consumer Laws.

7.3. RULES. The Company shall comply with such written rules and operating instructions relating to the use of the Credit Cards, the distribution of applications, Credit Card security, authorization procedures, "downtime" procedures and other matters related to this Agreement as the Bank may, from time to time, promulgate with prior notice to the Company; PROVIDED that such rules and operating instructions shall be consistent with past practices, with such changes as shall be approved-by the Company in its reasonable discretion.

7.4. CARDHOLDER INQUIRIES AND COMPLAINTS. If a Cardholder makes an inquiry or complaint to the Company about the nature, quality or quantity of goods purchased from the Company with a Credit Card, or a Cardholder has made an inquiry or complaint to the Bank concerning the nature, quality or quantity of goods purchased from the Company with a Credit Card, the Company shall deal directly with the Cardholder to resolve any such complaint or inquiry. The Company shall answer all inquiries from the Bank about complaints made to the Bank by Cardholders within 10 days after the Company receives an inquiry from the Bank.

7.5. EQUIPMENT. The Company shall obtain and maintain at its own expense such point of sale and authorization terminals, credit card imprinters and other

items of equipment as are necessary for it to receive authorizations, transmit charge slip and Credit Memorandum information, process credit applications and perform its obligations under this Agreement. Such point of sale and authorization terminals shall be capable of communicating with the computer equipment maintained by the Bank according to such computer programs and telecommunications protocols as may be specified by the Bank in its reasonable discretion from time to time subject to reasonable prior notice of any change in such equipment or protocols.

7.6. EXCLUSIVITY. The Company may not accept or promote any credit card as payment for its goods or services unless such credit card is a Credit Card, a proprietary credit card of another division of the Company or any Affiliate of the Company (whether or not issued by the Bank) or a credit card issued by a bank or other Person engaged in the business of issuing credit cards to Persons for the purpose of making payments to third parties generally under such names as Master Card, Visa, Discover, American Express or Optima. The Company may not issue its own credit cards or enter into an agreement with any third party under which credit cards bearing the Mark are issued; PROVIDED that after the second anniversary of the date hereof, the Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark and to accept any Bona Fide Offer by such third party if, at least 30 days prior to accepting such Bona Fide Offer, the Company provides the Bank with an opportunity to submit a competing offer with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark, which competing offer, if it has terms at least as favorable to the Company as such Bona Fide Offer, shall be accepted by the Company in lieu of such Bona Fide Offer. For purposes of this Section 7.6, "BONA FIDE OFFER" means an offer to the Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in the Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to the Company, its Affiliates and other retail or catalogue merchants).

7.7. OBSOLETE MATERIALS. The Company shall reimburse the Bank for the cost of replacing reasonable amounts of obsolete forms and other materials if such replacement is requested by the Company due to changes in the Mark or in the logo, colors or styles used to identify or promote the Business.

Section 8. COVENANTS OF THE BANK. The Bank hereby covenants and agrees with the Company as follows:

8.1. COMPLIANCE WITH APPLICABLE LAW. The Bank will, in issuing, billing, administering, and collecting with respect to the Credit Cards and at all other times, comply in all material respects with all Consumer Laws.

8.2. COLLECTION. The Bank will use efforts to collect from each Cardholder the purchase price and additional taxes and other charges of Transactions consistent with past practices and with its efforts to collect accounts receivable under other credit cards issued by it; PROVIDED that the Bank will initiate collection of any account receivable under a Credit Card at or before the time such account receivable is 60 days past due. The Bank will, consistent with past practices, determine the use and timing of dunning letters, statement messages and collection agents and will manage all written-off accounts (including, without limitation, the management of outside collection agencies). The Bank may implement reasonable variances from past collection practices after prior notice to and consultation with the Company.

8.3. PERFORMANCE STANDARDS. In performing its obligations under this Agreement, subject to Section 12.11, the Bank shall comply with the performance standards set forth in Exhibit 8.3, as such performance standards may be modified from time to time at the reasonable request of the Bank or the Company. Within 10 days after the end of each fiscal month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards. Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

8.4. FORCE MAJEURE EVENT. After the occurrence of a Force Majeure Event (as defined in Section 12.11) which disrupts the availability of the services provided hereunder, the Bank may elect to reestablish the availability of such services. If any such Force Majeure Event comparably disrupts the performance of services similar to the services provided hereunder with respect to one or more other credit cards issued by the Bank, then the Bank shall reestablish the availability of such services to the same extent and within the same timetable under

comparable circumstances as the comparable services are reestablished with respect to such other credit cards. The Bank shall promptly notify the Company of any Force Majeure Event and shall inform the Company whether it will reestablish services and the timetable therefor. If the Bank chooses not to reestablish or take measures to reestablish such services within a reasonable period of time as would be indicated by sound business practice, the Company shall be free to obtain such services from any supplier thereof.

Section 9. PROPERTY RIGHTS.

9.1. RIGHTS OF THE COMPANY. The Company is the owner of the names and addresses of customers of the Business; PROVIDED that (i) as set forth in Section 9.2, the Bank is also the owner of such information with respect to customers of the Business who are also Cardholders and (ii) The Limited, Inc. ("THE LIMITED") is also the owner of such information with respect to customers of the Business until the second anniversary of the date, if any, on which the Company ceases to be an Affiliate of The Limited.

9.2. RIGHTS OF BANK. Except as set forth in Section 9.1, the Bank is the owner of all information relating to the Cardholders (including names and addresses) and the Credit Cards, the copyright to all written material contained in any credit card agreements, applications, billing statements and other forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; PROVIDED that the Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of the Company, (ii) Persons who, in the sole judgment of The Limited, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates and (iii) in the case of disclosure, credit agencies. Subject to Section 9.3, the Company will not have any rights in any information or property of the Bank; PROVIDED that the Bank will provide the Company with such information the Bank owns with respect to Cardholders as the Company may reasonably request in order to develop potential marketing or credit strategies.

9.3. DATABASE. (a) It is the intention of the parties that the Bank will manage, maintain and develop an information marketing database (the "DATABASE") at its own expense, subject to a mutually satisfactory agreement with the Company pursuant to which (i) the Company will agree to utilize the Database, (ii) the Database will be accessible from the Company's offices and (iii) the Bank will provide

the Company with information maintained as part of the Database on terms that are no less favorable than those offered by the Bank to any other recipient of comparable information.

(b) Notwithstanding the foregoing, the Bank will, from time to time at the request of the Company, and without charge, promptly provide the Company with a list of the names and addresses of all Cardholders, all holders of other proprietary credit cards of the Company or any Affiliate of the Company (if issued by the Bank) and all other customers of the Business, any other business of the Company and the business of any other Affiliate of the Company. The Company shall reimburse the Bank for its costs of producing and shipping such list in the format required by the Company within 30 days after receipt of-a request for such reimbursement from the Bank.

(c) Subject to Section 9.2, the Bank may make the Database available, and provide information marketing services to, third parties on terms reasonably determined by the Bank; PROVIDED that (i) the allocation among the Bank, the Company and The Limited of fees charged by the Bank to such third parties shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices and (ii) the Bank may not make the Database available, or provide information marketing services to, any Person who, in the sole judgment of The Limited, competes, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates.

9.4. ENVELOPE STUFFING.

9.4.1. Subject to the right of the Bank to include in mailings to Cardholders periodic billing statements and any legal notices which the Bank believes are necessary or appropriate to send to Cardholders, the Company shall have the right to have materials advertising its products and services included in the envelopes containing the periodic statements. Such materials shall advertise only products and services related to the Business, shall (unless the Company provides the Bank with notice as provided below) be limited to seven panels per envelope and shall conform to size requirements established from time to time by the Bank with reasonable prior notice of any changes. The Company shall use reasonable efforts (i) to notify the Bank at least 15 days before the proposed date of any such inclusion and shall provide the Bank with a draft copy of any such advertising material at the time it notifies the Bank of such mailing and (ii) to provide the Bank with a seasonal marketing plan at least 30 days before the beginning date of each Season. The Company shall

provide the Bank with the materials to be included in the mailing not less than two Business Days prior to the initial insertion date. If the Company does not notify the Bank of any such inclusion at least seven days before the proposed date of such inclusion or if the material included does not take up the available space, the Bank may utilize the space remaining inside the envelopes for its own purposes; PROVIDED that (i) unless the Company provides the Bank with notice at least 45 days before the proposed inclusion date of the Company's intent to utilize more than seven panels per envelope, the Bank shall be entitled to utilize at least three panels (or two panels and one "bangtail" remittance envelope) per envelope for its own purposes and (ii) all materials included by the Bank shall be subject to the approval of the Company, which approval shall not be unreasonably withheld.

9.4.2. The Bank shall have the exclusive right to include in any mailing to Cardholders materials advertising products and services not related to the Business and the allocation between the Bank and the Company of the revenues generated thereby shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices; PROVIDED that such products and services and the related advertising materials shall be subject to the approval of the Company, which approval shall not be unreasonably withheld or delayed (it being understood that the Company may withhold such approval if it determines in its sole discretion that the advertising of such products or services is inconsistent with the image of the Business).

9.4.3. Notwithstanding the foregoing, (i) the Bank shall have the right to use its own "bangtail" remittance envelopes to promote credit life insurance to existing Cardholders no more than four times per year or two times per Season and (ii) all materials used, or sent to Cardholders, by the Bank under existing programs of the Bank (including, but not limited to, credit life insurance) shall not be subject to the approval of the Company.

9.4.4. The Bank shall provide timely specifications (including size and weight requirements) for all statement inserts, credit card carriers and "bangtail" remittance envelopes.

Section 10. INDEMNIFICATION; CLAIMS AND ACTIONS.

10.1. INDEMNIFICATION BY THE COMPANY. The Company hereby indemnifies the Bank, its Affiliates and the directors, officers, employees and agents of the Bank or any Affiliate of the Bank (each, a "RELATED PARTY") against, and agrees to hold them harmless from, any and all losses,

claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("Damages") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by the Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of goods or rendering of services by the Company.

10.2. INDEMNIFICATION BY THE BANK. The Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by the Bank under this Agreement.

10.3. THIRD PARTY CLAIMS.

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

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

relating to goods purchased from the Company), even if the Company has been advised of the possibility of such claims.

10.4. DISPUTE RESOLUTION AND ACTIONS. The Bank and the Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 10.4.

10.5. LIMITATION ON ACTIONS. No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than one year after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

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

10.7. SURVIVAL. The provisions of this Section 10 shall survive the termination of this Agreement.

Section 11. TERMINATION.

11.1 TERM. This Agreement shall remain in effect until the tenth anniversary of the date hereof, shall be automatically extended until the twelfth anniversary of the date hereof if the Company does not give at least 12 months' prior written notice of its objection to such extension and shall be further automatically extended in successive two-year increments if the Bank or the Company does not give at least 12 months' prior written notice of its objection to such extension, unless earlier terminated (a) by the Bank or the Company in the event of a material breach by the other party of any of such other party's obligations under this Agreement if any such breach remains uncured 30 days after

written Notice thereof to such party, (b) automatically in the event that the Bank or the Company commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereinafter in effect, seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its assets, consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or (c) by the Company upon not less than 60 days' prior written notice to the Bank at any time after the sixth anniversary of the date hereof if, based on the application of the attached matrix, the applicable discount rate exceeds the highest discount rate in such matrix and the costs to the Company under this Agreement are substantially higher than the costs that would be incurred by the Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; PROVIDED that the Company shall not be entitled to terminate this Agreement pursuant to clause (c) unless the Company provides the Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and is entitled to submit a counter-proposal within 30 days of receipt of such description. If the Bank submits a counter- proposal with terms substantially similar to those set forth in such third party's proposal or agrees to maintain the discount rate at the highest discount rate in the attached matrix, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in the Bank's counter- proposal. Subject to Section 11.2, the termination of this Agreement shall not affect the obligations of the Cardholders to the Bank, the obligation of the Company and the Bank to make the payments required under Section 4 with respect to Transactions that occurred before the date of termination, the rights of the Bank under Sections 4.4, 7.4 and 9.1 and the rights of the Company under Section 9.1. Sections 10, 11 and 12 of this Agreement shall survive any such termination.

11.2. EFFECT OF TERMINATION. Upon termination of this Agreement, the Company will have the option to purchase the then- outstanding Credit Card account balances not previously written- off by the Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to the Bank, and will be provided with all related account information and other account data; PROVIDED that the Company will be required to purchase such then-outstanding Credit Card account balances on such terms if the Company objects to any automatic

extension of this Agreement pursuant to Section 11.1. All payments by the Company pursuant to this Section 11.2 shall be made not later than one Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by the Bank to the Company not less than two Business Days prior to the payment date. Upon any termination of this Agreement, (i) the Company (at its sole expense) shall notify all Cardholders that the Bank is no longer the processor of their Credit Card accounts and (ii) the Company and the Bank shall cooperate in facilitating the transition to a new processor.

11.3. EXTENSION. Any services which the parties hereto mutually agree to be rendered after the termination of this Agreement shall be rendered pursuant to all of the terms and provisions of this Agreement.

Section 12. MISCELLANEOUS.

12.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given, if to the Company, to:

Victoria's Secret Stores, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

with a copy to:

The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

and a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attn: Dennis S. Hersch
Telecopy: 212-450-4800

and if to the Bank, to:

World Financial Network National Bank
4590 East Broad Street
Columbus, Ohio 43213
Attn: Daniel T. Groomes
Telecopy: 614-755-3418

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 12.1.

12.2. AMENDMENTS; NO WAIVERS.

12.2.1. Any provision of this Agreement may be amended only if such amendment is in writing and signed by all parties thereto.

12.2.2. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

12.3. EXPENSES. All costs and expenses incurred in connection with the this Agreement or the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

12.4. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; PROVIDED that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party. Notwithstanding the foregoing, (i) the Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of the Bank, provided that any such assignee of the Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to the Company, (ii) the Company shall assign or otherwise transfer all of its rights and obligations under this Agreement (A) to the purchaser of all or substantially all of the assets of the Business or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to the Company or any successor (whether by merger, consolidation or otherwise) thereto, in each case subject to the execution by such assignee or transferee of an agreement to be bound by the provisions of this Agreement and (iii) the Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing

obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against the Company for any reason whatsoever and (B) the Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

12.5. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the law of the State of New York (without regard to the choice of law provisions thereof).

12.6. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto or thereto shall have received a counterpart hereof signed by the other parties hereto.

12.7. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to such subject matter. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision thereof is intended to confer upon any Person other than the parties any rights or remedies hereunder.

12.8. JURISDICTION. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated thereby may be brought against any of the parties in the United States District Court for the Southern District of New York or any state court sitting in the City of New York, Borough of Manhattan, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 12.1, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

12.9. CAPTIONS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

12.10. DEFINED TERMS. The following terms, as used herein, shall have the following meanings:

12.10.1. "AFFILIATE" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

12.10.2. "BUSINESS DAY" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Columbus, Ohio are authorized or required by law to close.

12.10.3. "PERSON" means an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

12.10.4. "SEASON" means (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January.

12.11. FORCE MAJEURE. Notwithstanding the provisions of Section 8.3, neither the Bank nor its affiliates shall be liable in any manner to the Company for any failure to perform their obligations under this Agreement resulting in any manner from delay, failure in performance, loss or damage due to fire, strike, embargo, explosion, power blackout, earthquake, flood, war, the elements, labor disputes, civil or military authority, acts of God, public enemy, inability to secure fuel, acts or omissions of carriers or other causes beyond their reasonable control, whether or not similar to any of the foregoing (a "FORCE MAJEURE EVENT").

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

WORLD FINANCIAL NETWORK
NATIONAL BANK

By: /s/ TIMOTHY B. LYONS

Name: Timothy B. Lyons
Title:

VICTORIA'S SECRET STORES, INC.

By: /s/ TIMOTHY B. LYONS

Name: Timothy B. Lyons
Title:

LONE MOUNTAIN FACTORING, INC.

By: /s/ TIMOTHY B. LYONS

Name: Timothy B. Lyons
Title:

Exhibit 10.4

CREDIT CARD PROCESSING AGREEMENT

This Credit Card Processing Agreement is made as of this 31st day of January, 1996 between WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association (the "BANK") , and Lerner New York, Inc., a Delaware corporation (the "CORPORATION"), and Nevada Receivable Factoring, Inc., a Nevada corporation ("FACTORING") (the Corporation and Factoring being collectively referred to herein as the "COMPANY").

WHEREAS the Company and the Bank believe that it is desirable and in their respective best interests for the Bank to continue, in a manner generally consistent with past practices, to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Company's Lerner New York retail or catalogue business (the "BUSINESS") which will allow the customers of the Company to purchase goods from the Company using funds advanced by the Bank; and

WHEREAS in order to implement such arrangements, the parties hereto desire to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. TRADEMARKS. The Company hereby authorizes the Bank to use the trademark "Lerner New York" on credit cards owned or issued by the Bank, monthly billing statements, collection correspondence, credit card agreements, credit applications, customer service correspondence and in such other written and oral communications with cardholders as are necessary or convenient in connection with this Agreement, in each case consistent with past practices. The "Lerner New York" trademark is referred to herein as the "MARK". The Company shall have the right to approve in its sole discretion the "art" (including colors and font styles) for all proposed uses of the Mark by the Bank. The Bank shall not use the Mark for any purpose other than as set forth in the first sentence of this Section 1.

Section 2. CREDIT CARD SYSTEM.

2.1. NEW CREDIT CARDS.

2.1.1. ISSUANCE OF CREDIT CARDS. To the extent requested by the Company, the Bank will issue credit cards bearing the Mark ("CREDIT CARDS") to customers of the Business who apply for such Credit Cards and related

extensions of credit. Such customers (i) must qualify for the extension of credit under credit standards related to new account approvals, credit limits and authorization management ("CREDIT STANDARDS") which will be determined by the Bank from time to time and (ii) must accept the Bank's standard form of credit card agreement containing the terms and conditions governing extensions of credit to Persons who hold Credit Cards and their authorized users (attached hereto as Exhibit 2.1.1(a)). Notwithstanding the foregoing, (i) the Credit Standards established by the Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Business shall be consistent with past practices (as described in Exhibit 2.1.1(b)), with such changes as shall be (A) approved by the Company in its reasonable discretion or (B) determined by the Bank in good faith to be necessary from the standpoint of safe and sound banking practices and (ii) the Bank may make any change in the terms of its agreement with any person who holds a Credit Card (including repayment terms, fees and finance charge rates) after prior notice to and consultation with the Company. The Bank hereby confirms its understanding that the Company intends to offer and promote credit as outlined in Section 2.2. The Bank will bear the costs of the issuance of Credit Cards under this Section 2.1.

2.1.2. CREDIT MAXIMIZATION. The Company will be entitled to use credit related promotional strategies consistent with past practices. The Bank will work in good faith with the Company to develop business strategies with respect to the issuance of Credit Cards intended to maximize the potential of the Business and, in that regard, will consider in good faith proposals involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card; PROVIDED that subject to compliance with the provisions of Section 2.1.1, Credit Standards and the terms of such agreement shall in all circumstances be determined by the Bank. The terms of any program involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card, including (without limitation) fees or other charges to be paid by either party, shall be agreed on a program-by-program basis.

2.2. PROMOTION. The Company will use its reasonable efforts to promote the use of Credit Cards in the Business and to acquire new Cardholders (as defined below), for the Bank through the use of, for example, "instant credit," "quick credit," pre-approved solicitations, applications and promotional material displayed in stores and inserted in catalogues and special offers to Cardholders, in each case consistent with past practices. The costs incurred by the Company and the Bank (including,

among other things, the cost of printing application forms, promotional material, pre-approved solicitations and instant and quick credit contracts and the cost of special offers) will be borne by the Company and the Bank on terms to be negotiated from time to time in a manner consistent with past practices. The Bank shall have two Business Days to review for legal compliance all credit application forms and marketing materials (including, without limitation, those referred to above) prior to their being printed.

Section 3. ACCEPTANCE OF CREDIT CARDS. The Company will permit Persons who hold Credit Cards (subject to the restrictions of this Agreement) or other credit cards owned by the Bank that the Bank has designated and their authorized users ("CARDHOLDERS") to purchase goods sold by the Business without any cash payment by use of a Credit Card, subject to the following conditions:

3.1. CHARGE SLIP (CREDIT CARD PRESENTED) . If the customer presents a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects the following:

3.1.1. A brief identification of the property or service purchased (the "TRANSACTION");

3.1.2. The date of the Transaction;

3.1.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.1.4. An imprint or electronic capture of the Credit Card account number or, in the event of equipment malfunction, a written notation of such account number; and

3.1.5. The Cardholder's signature.

3.2. CHARGE SLIP (CREDIT CARD NOT PRESENTED) The Bank acknowledges and agrees that a Cardholder need not present a Credit Card at the time of sale and that, subject to Section 3.5, the Company may accept charges to a Credit Card verbally from the customer or via a written order form from the customer. If the customer does not present a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects, in lieu of the information set forth in Section 3.1.1 through 3.1.5, the following:

3.2.1. A brief identification of the Transaction;

3.2.2. The date of the Transaction;

3.2.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.2.4. A written notation of the Credit Card account number, which shall have been obtained from the customer and recorded in the Company's customer file;

3.2.5. The customer's name and address and, except in the case of catalogue purchases, personal identification type and number; and

3.2.6. If applicable, the name and address to where the merchandise which was the subject of the Transaction was shipped and the date and method of shipment.

3.3. RETENTION OF CHARGE SLIP. The Company will retain a legible copy of each charge slip for six months following the date of the Transaction and will provide such copy to the Bank within 30 days of the Bank's request there for; PROVIDED that the Bank will request delivery of such information only in the case of a bona fide dispute (the existence of such dispute to be determined by the Bank in its reasonable discretion) relating to the underlying Transaction, upon the inquiry of the applicable Cardholder or as requested by auditors of the Bank in connection with their audit of the Bank's financial statements or by any governmental authority.

3.4. AUTHORIZATION. The Transaction is authorized by the Bank in accordance with the floor limits and other procedures in effect at the time or such authorization is dispensed with under rules established by the Bank from time to time in accordance with Section 8.3 to deal with situations in which authorization is not. available because of disruption of the Bank's computer system or other causes provided for in such rules, consistent with past practice.

3.5. CHARGEBACKS. The Company agrees to accept as a chargeback any charge on a Credit Card where:

3.5.1. The Cardholder disputes the charge and the Company fails to provide a legible copy of the charge slip within 30 days of the Bank's request therefor in accordance with Section 3.3;

3.5.2. The Company failed to obtain authorization from the Bank in accordance with Section 3.4;

3.5.3. The Company failed to complete the charge slip in accordance with Section 3.1 or 3.2, as applicable;

3.5.4. A Company employee fraudulently misused the Credit Card or account number;

3.5.5. A dispute arises from the Cardholder being charged or credited more than once for the same sale, payment or return;

3.5.6. A dispute with the Cardholder arises from a voided Transaction or an invalid Credit Card account number;

3.5.7. A dispute with the Cardholder arises from an improperly opened Credit Card account, or the account is otherwise uncollectible, where a Company employee failed to comply with new account procedures in effect at the time the account was opened;

3.5.8. The Bank, consistent with past practices, gives the Cardholder credit for (or accepts as payment) a non-expired discount coupon or gift certificate in respect of a prior purchase; or

3.5.9. A dispute arises from the Company's failure properly to identify a catalogue purchaser as the Cardholder where such failure results in merchandise being shipped without the actual Cardholder's authorization.

The amount charged back with supporting detail will be invoiced to the Company weekly, and all required payments by the Company shall be made within 30 days after receipt of an invoice. If the Company pays the Bank any chargeback amount pursuant to this Section 3.5 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such chargeback from the Cardholder subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

Section 4. PAYMENT.

4.1. PAYMENT BY BANK.

4.1.1. The Bank will pay to the Company, as full consideration for any Transaction between the Company and any Cardholder using a Credit Card, as to which the Company has complied with the provisions of Section 3 above, the amount shown on the records of the Company for each Transaction, including all applicable shipping, handling and taxes, less a discount, which discount shall be equal to the discount rate determined in accordance with Section 4.1.5 (expressed as a fraction) multiplied by the amount shown on the records of the Company for each Transaction (exclusive of all applicable shipping, handling and taxes).

4.1.2. The Bank will pay such amount by transferring immediately available funds to an account designated by the Company at any bank to which the Bank may make electronic fund transfers before the end of the second Business Day following the receipt by the Bank of the information required by Section 3.1 or 3.2, such information to be properly formatted and edited and transferred via a telecommunications connection between the Company and the Bank pursuant to such computer programs and telecommunications protocols as the Bank may, in its reasonable discretion, designate from time to time, subject to reasonable prior notice. The Company will transmit (in the manner referred to above) to the Bank an audited and balanced file in the format specified by the Bank containing all such information within two Business Days after the occurrence of the underlying Transaction; PROVIDED that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, the Company will transmit such information relating to such store locations as soon as reasonably practicable after polling is completed.

4.1.3. The Company may not attempt to collect any amount from any Cardholder with respect to a Transaction which has been paid for by the Bank under this Section 4.1 and not charged back to the Company pursuant to Section 3.5.

4.1.4. The Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Cards ("IN-STORE PAYMENTS"). Any In-Store Payments received by the Company will be held in trust for the Bank and its assigns and netted against amounts payable by the Bank pursuant to Section 4.1.1 (PROVIDED that the Company shall not be required to keep In-Store Payments separate from other payments received by the Company) and evidence of such payments will be transmitted to the Bank on a daily basis in accordance with the procedures set forth in Section 4.1.2. Notwithstanding the foregoing:

(a) if any bankruptcy or other insolvency proceeding has been commenced against the Company (and so long as the same has not been dismissed), the Company shall promptly comply with any written instruction (a "STORE PAYMENT NOTICE") received by the Company from the Bank or any successor to the Bank as "Servicer" under the Pooling and Servicing Agreement referred to below (the Bank or any such successor being the "SERVICER") to take either of the following actions (as specified in such instruction)

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

Pooling and Servicing Agreement to give such notice) or

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

PROVIDED that the Company need not take the actions specified in clause (i) or clause (ii) if the Company or any of its affiliates provides the Servicer or the Trustee under (and as defined in) the Pooling and Servicing Agreement with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all conditions specified in the Pooling and Servicing Agreement with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(b) if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, In-Store Payments shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this clause (b) and Section 4.2 is less than $10,000, by check), not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as the Company complies with instructions delivered in accordance with paragraph (a) or (b), any amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for In-Store Payments.

For purposes of the foregoing, the "POOLING AND SERVICING AGREEMENT" means the Pooling and Servicing Agreement dated as of January 17, 1996 among the Bank and The Bank of New York, as trustee, including each Supplement thereunder, as the same may be amended, supplemented or otherwise modified from time to time, except that no amendment, supplement or other modification to such Agreement that affects the circumstances in which the Company may be required to take the actions referred to in

paragraph (a) or (b) above or in Section 4.2.3 shall be given effect for purposes of this Agreement unless consented to by the Company.

4.1.5. DISCOUNT RATE. The applicable discount rate referred to in Section 4.1.1 shall be the then applicable discount rate determined in accordance with the matrix set forth in Exhibit 4.1.5; PROVIDED that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by the Bank to Cardholders, the Company and the Bank agree to negotiate in good faith an increase in the discount rate.

4.2. PAYMENT BY COMPANY. If the Bank has paid the Company for any Transaction and

4.2.1. If:

(a) the representations and warranties of the Company with respect to such Transaction, as set forth in Sections 5.1 through 5.3 below, are not true in all material respects; or

(b) any merchandise which was the subject of such Transaction is returned to the Company and the Company, pursuant to its policies concerning returned merchandise, accepts such merchandise for credit; or

(c) in order to settle a dispute concerning the nature, quality or quantity of goods purchased from the Company with the Credit Card, the Company agrees to refund all or part of the purchase price thereof; then

4.2.2. The Company:

(a) shall pay the Bank an amount equal to the face amount of such Transaction or portion thereof refunded to the customer, less any discount actually taken by the Bank when it made payment to the Company in consideration for such Transaction pursuant to Section 4.1.1;

(b) shall create a written memorandum of such Transaction setting forth the information required by Section 3 above (a "CREDIT MEMORANDUM")

(c) shall transmit the information contained in such Credit Memorandum to the Bank by the method of electronic transmission referred to in Section 4.1.2 above; and

(d) subject to Section 4.2.3, shall permit the payment required by this Section 4.2 to be netted against amounts payable by the Bank pursuant to Section 4.1.1. The

Company shall retain any such Credit Memorandum in the same manner an# for the same time as the charge slip referred to in Section 3.3 and shall promptly deliver any such Credit Memorandum to the Bank upon its request. If the Company pays the Bank any amount for a Transaction pursuant to this Section 4.2 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such Transaction from the customer subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

4.2.3. Notwithstanding clause (d) of Section 4.2.2, if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, amounts payable by the Company pursuant to Section 4.2 ("ADJUSTMENT PAYMENTS") shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer the amount of each Adjustment Payment to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this Section 4.2 and clause (b) of Section 4.1.4 is less than $10,000, by check), not later than the second Business Day following the date on which the events giving risk to such Adjustment Payment occur (and amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for Adjustment Payments)

4.3. OTHER FEES.

4.3.1. DEFERRED PAYMENT. If any Transaction between the Company and any Cardholder using a Credit Card is consummated on a deferred payment basis (for which the period of deferral may not exceed 90 days), then for each month during the period of deferral, the Company will pay the Bank an amount equal to the Deferred Payment Rate for such month multiplied by the average daily balance of purchase price so deferred during such month. For purposes of this Section 4.3, "DEFERRED PAYMENT RATE" means, for any month, (i) if the debt of the Bank has an implied investment grade rating at all times during such month, the average interest rate paid by the Bank to obtain funds during such month, and (ii) if the debt of the Bank does not have an implied investment grade rating at all times during such month, the then-current reference rate or index maintained or provided by a nationally recognized investment banking firm (which firm shall be reasonably acceptable to the Company and the Bank) in respect of issuers whose debt has the lowest investment grade rating.

4.3.2. POSTAL RATE ADJUSTMENT. The Company agrees to reimburse the Bank for any costs incurred by the

Bank as a result of changes in postal rates or rules applicable to mailings to Cardholders after the date hereof; PROVIDED that the postal costs and postal discounts applicable to mailings to Cardholders shall be no less favorable than the postal costs and postal discounts applicable to comparable mailings to holders of any other credit cards issued by the Bank. The Bank and the Company agree to use their reasonable efforts to minimize postal costs and maximize postal discounts.

4.3.3. SPECIAL PROJECTS. With respect to special services provided by the Bank from time to time with respect to the Business (including, without limitation, consulting, surveys, gift certificate calls and fulfillment, rebate fulfillment, telemarketing and special processing or accounting reports required in connection with promotional activities), the Company will pay to the Bank amounts to be agreed on a program-by-program basis. To the extent not otherwise provided for in this Agreement, (i) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $1,000 without having first obtained prior-written or oral authorization from the Company for such expenses; and (ii) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $50,000 without having first obtained prior written authorization from the Company for such expenses; PROVIDED that, in the event any terms of any such written authorization are in conflict with the terms of this Agreement, the terms of this Agreement shall be controlling.

4.3.4. PAYMENTS. All amounts payable by the Company under this Section 4.3 shall be paid by wire transfer of immediately available funds within 30 days after receipt of an invoice for such amounts.

4.4. SETOFFS. The Bank may at any time, in addition to all other rights and remedies available to it, setoff against any amount owing to the Company by the Bank under this Agreement, any amounts owing by the Company to the Bank under this Agreement.

4.5. INVOICE. The amount of any invoice prepared and delivered by the Bank under this Agreement shall be deemed to be correct, accurate and binding upon the Company if the Company makes no objection within 30 days after the date of such invoice; PROVIDED that the making of any objection shall not relieve the Company of its obligation to make full payment of the amount set forth on the related invoice when such amount is otherwise payable pursuant to this Section 4, it being understood that the Company does not waive its rights thereby and may, subject to Section

10.4, assert a claim with respect to such invoice in an appropriate proceeding.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Bank that:

5.1. VALID TRANSACTIONS. Each Transaction will be completed in compliance with the provisions of Section 3 and will create a valid, binding and legally enforceable obligation of the Cardholder whose name is shown on the Credit Card to pay to the Company the amount shown on the charge slip, which obligation to the Company will be discharged in full by the payment made to the Company by the Bank in respect of such Transaction under Section 4.1 above.

5.2. ACCURATE INFORMATION. Each charge slip will accurately reflect the Transaction described therein. Each charge slip and Credit Memorandum and any charge slip or Credit Memorandum information transmitted to the Bank by the Company will be complete and accurate and in a form deemed necessary by the Bank to allow Cardholder billing in accordance with applicable law. The Company will accurately report all returns and other credits to the Bank within the time period specified in Section 4.

5.3. NO LIENS. No amount due to the Company with respect to any Transaction will be subject to any lien or encumbrance in favor of any third party or to any offset, counterclaim or defense of any Person other than the Bank or its Affiliates.

5.4. MARK. The use of the Mark by the Bank under this Agreement does not infringe the rights of any other Person.

Section 6. REPRESENTATIONS AND WARRANTIES OF THE BANK. The Bank hereby represents and warrants to the Company that:

6.1. COMPLIANCE WITH LAWS. Each Credit Card and the related credit card agreement, all monthly billing statements and any collection efforts of the Bank conform and will conform in all material respects with all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws ("Consumer Laws")

6.2. NON-CONTRAVENTION. The performance by the Bank of its obligations under this Agreement will not

conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Bank is party or by which the Bank is bound, nor will such performance result in any violation of the provisions of the articles of association or the by-laws of the flank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

Section 7. COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with the Bank as follows:

7.1. CREDIT CARD NOTICES AND COMMUNICATIONS. The Company will, consistent with past practices, accept and turn over to the Bank promptly upon receipt thereof by the Company (i) subject to Section 4.1.4, any payments made by any Cardholder with respect to any Transaction or any Credit Card and (ii) any notices or other communications received by the Company with respect to any Credit Card including, without limitation, customer changes of address and other information on approved forms.

7.2. COMPLIANCE WITH APPLICABLE LAW. The Company will, at all times, comply in all material respects with all Consumer Laws.

7.3. RULES. The Company shall comply with such written rules and operating instructions relating to the use of the Credit Cards, the distribution of applications, Credit Card security, authorization procedures, "downtime" procedures and other matters related to this Agreement as the Bank may, from time to time, promulgate with prior notice to the Company; PROVIDED that such rules and operating instructions shall be consistent with past practices, with such changes as shall be approved by the Company in its reasonable discretion.

7.4. CARDHOLDER INQUIRIES AND COMPLAINTS. If a Cardholder makes an inquiry or complaint to the Company about the nature, quality or quantity of goods purchased from the Company with a Credit Card, or a Cardholder has made an inquiry or complaint to the Bank concerning the nature, quality or quantity of goods purchased from the Company with a Credit Card, the Company shall deal directly with the Cardholder to resolve any such complaint or inquiry. The Company shall answer all inquiries from the Bank about complaints made to the Bank by Cardholders within 10 days after the Company receives an inquiry from the Bank.

7.5. EQUIPMENT. The Company shall obtain and maintain at its own expense such point of sale and authorization terminals, credit card imprinters and other

items of equipment as are necessary for it to receive authorizations, transmit charge slip and Credit Memorandum information, process credit applications and perform its obligations under this Agreement. Such point of sale and authorization terminals shall be capable of communicating with the computer equipment maintained by the Bank according to such computer programs and telecommunications protocols as may be specified by the Bank in its reasonable discretion from time to time subject to reasonable prior notice of any change in such equipment or protocols.

7.6. EXCLUSIVITY. The Company may not accept or promote any credit card as payment for its goods or services unless such credit card is a Credit Card, a proprietary credit card of another division of the Company or any Affiliate of the Company (whether or not issued by the Bank) or a credit card issued by a bank or other Person engaged in the business of issuing credit cards to Persons for the purpose of making payments to third parties generally under such names as Master Card, Visa, Discover, American Express or Optima. The Company may not issue its own credit cards or enter into an agreement with any third party under which credit cards bearing the Mark are issued; PROVIDED that after the second anniversary of the date hereof, the Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark and to accept any Bona Fide Offer by such third party if, at least 30 days prior to accepting such Bona Fide Offer, the Company provides the Bank with an opportunity to submit a competing offer with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark, which competing offer, if it has terms at least as favorable to the Company as such Bona Fide Offer, shall be accepted by the Company in lieu of such Bona Fide Offer. For purposes of this Section 7.6~ "Bona Fide Offer" means an offer to the Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in the Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to the Company, its Affiliates and other retail or catalogue merchants)

7.7. OBSOLETE MATERIALS. The Company shall reimburse the Bank for the cost of replacing reasonable amounts of obsolete forms and other materials if such replacement is requested by the Company due to changes in the Mark or in the logo, colors or styles used to identify or promote the Business.

Section 8. COVENANTS OF THE BANK. The Bank hereby covenants and agrees with the Company as follows:

8.1. COMPLIANCE WITH APPLICABLE LAW. The Bank will, in issuing, billing, administering, and collecting with respect to the Credit Cards and at all other times, comply in all material respects with all Consumer Laws.

8.2. COLLECTION. The Bank will use efforts to collect from each Cardholder the purchase price and additional taxes and other charges of Transactions consistent with past practices and with its efforts to collect accounts receivable under other credit cards issued by it; PROVIDED that the Bank will initiate collection of any account receivable under a Credit Card at or before the time such account receivable is 60 days past due. The Bank will, consistent with past practices, determine the use and timing of dunning letters, statement messages and collection agents and will manage all written-off accounts (including, without limitation, the management of outside collection agencies) . The Bank may implement reasonable variances from past collection practices after prior notice to and consultation with the Company.

8.3. PERFORMANCE STANDARDS. In performing its obligations under this Agreement, subject to Section 12.11, the Bank shall comply with the performance standards set forth in Exhibit 8.3, as such performance standards may be modified from time to time at the reasonable request of the Bank or the Company. Within 10 days after the end of each fiscal month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards. Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

8.4. FORCE MAJEURE EVENT. After the occurrence of a Force Majeure Event (as defined in Section 12.11) which disrupts the availability of the services provided hereunder, the Bank may elect to reestablish the availability of such services. If any such Force Majeure Event comparably disrupts the performance of services similar to the services provided hereunder with respect to one or more other credit cards issued by the Bank, then the Bank shall reestablish the availability of such services to the same extent and within the same timetable under

comparable circumstances as the comparable services are reestablished with respect to such other credit cards. The Bank shall promptly notify the Company of any Force Majeure Event and shall inform the Company whether it will reestablish services and the timetable therefor. If the Bank chooses not to reestablish or take measures to reestablish such services within a reasonable period of time as would be indicated by sound business practice, the Company shall be free to obtain such services from any supplier thereof.

Section 9. PROPERTY RIGHTS.

9.1. RIGHTS OF THE COMPANY. The Company is the owner of the names and addresses of customers of the Business; PROVIDED that (i) as set forth in Section 9.2, the Bank is also the owner of such information with respect to customers of the Business who are also Cardholders and (ii) The Limited, Inc. ("THE LIMITED") is also the owner of such information with respect to customers of the Business until the second anniversary of the date, if any, on which the Company ceases to be an Affiliate of The Limited.

9.2. RIGHTS OF BANK. Except as set forth in Section 9.1, the Bank is the owner of all information relating to the Cardholders (including names and addresses) and the Credit Cards, the copyright to all written material contained in any credit card agreements, applications, billing statements and other forms used-by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; PROVIDED that the Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of the Company, (ii) Persons who, in the sole judgment of The Limited, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates and (iii) in the case of disclosure, credit agencies. Subject to Section 9.3, the Company will not have any rights in any information or property of the Bank; PROVIDED that the Bank will provide the Company with such information the Bank owns with respect to Cardholders as the Company may reasonably request in order to develop potential marketing or credit strategies.

9.3. DATABASE. (a) It is the intention of the parties that the Bank will manage, maintain and develop an information marketing database (the "DATABASE") at its own expense, subject to a mutually satisfactory agreement with the Company pursuant to which (i) the Company will agree to utilize the Database, (ii) the Database will be accessible from the Company's offices and (iii) the Bank will provide

the Company with information maintained as part of the Database in terms that are no less favorable than those offered by the Bank to any other recipient of comparable information.

(b) Notwithstanding the foregoing, the Bank will, from time to time at the request of the Company, and without charge, promptly provide the Company with a list of the names and addresses of all Cardholders, all holders of other proprietary credit cards of the Company or any Affiliate of the Company (if issued by the Bank) and all other customers of the Business, any other business of the Company and the business of any other Affiliate of the Company. The Company shall reimburse the Bank for its costs of producing and shipping such list in the format required by the Company within 30 days after receipt of a request for such reimbursement from the Bank.

(c) Subject to Section 9.2, the Bank may make the Database available, and provide information marketing services to, third parties on terms reasonably determined by the Bank; PROVIDED that (i) the allocation among the Bank, the Company and The Limited of fees 'charged by the Bank to such third parties shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices and (ii) the Bank may not make the Database available, or provide information marketing services to, any Person who, in the sole judgment of The Limited, competes, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates.

9.4. ENVELOPE STUFFING.

9.4.1. Subject to the right of the Bank to include in mailings to Cardholders periodic billing statements and any legal notices which the Bank believes are necessary or appropriate to send to Cardholders, the Company shall have the right to have materials advertising its products and services included in the envelopes containing the periodic statements. Such materials shall advertise only products and services related to the Business, shall (unless the Company provides the Bank with notice as provided below) be limited to seven panels per envelope and shall conform to size requirements established from time to time by the Bank with reasonable prior notice of any changes. The Company shall use reasonable efforts (i) to notify the Bank at least 15 days before the proposed date of any such inclusion and shall provide the Bank with a draft copy of any such advertising material at the time it notifies the Bank of such mailing and (ii) to provide the Bank with a seasonal marketing plan at least 30 days before the beginning date of each Season. The Company shall

provide the Bank with the materials to be included in the mailing not less than two Business Days prior to the initial insertion-date. If the Company does not notify the Bank of any such inclusion at least seven days before the proposed date of such inclusion or if the material included does not take up the available space, the Bank may utilize the space remaining inside the envelopes for its own purposes; PROVIDED that (i) unless the Company provides the Bank with notice at least 45 days before the proposed inclusion date of the Company's intent to utilize more than seven panels per envelope, the Bank shall be entitled to utilize at least three panels (or two panels and one "bangtail" remittance envelope) per envelope for its own purposes and (ii) all materials included by the Bank shall be subject to the approval of the Company, which approval shall not be unreasonably withheld.

9.4.2. The Bank shall have the exclusive right to include in any mailing to Cardholders materials advertising products and services not related to the Business and the allocation between the Bank and the Company of the revenues generated thereby shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices; PROVIDED that such products and services and the related advertising materials shall be subject to the approval of the Company, which approval shall not be unreasonably withheld or delayed (it being understood that the Company may withhold such approval if it determines in its sole discretion that the advertising of such products or services is inconsistent with the image of the Business)

9.4.3. Notwithstanding the foregoing, (i) the Bank shall have the right to use its own "bangtail" remittance envelopes to promote credit life insurance to existing Cardholders no more than four times per year or two times per Season and (ii) all materials used, or sent to Cardholders, by the Bank under existing programs of the Bank (including, but not limited to, credit life insurance) shall not be subject to the approval of the Company.

9.4.4. The Bank shall provide timely specifications (including size and weight requirements) for all statement inserts, credit card carriers and "bangtail" remittance envelopes.

Section 10. INDEMNIFICATION; CLAIMS AND ACTIONS.

10.1. INDEMNIFICATION BY THE COMPANY. The Company hereby indemnifies the Bank, its Affiliates and the directors, officers, employees and agents of the Bank or any Affiliate of the Bank (each, a "RELATED PARTY") against, and agrees to hold them harmless from, any and all losses,

claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("DAMAGES") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by the Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of goods or rendering of services by the Company.

10.2. INDEMNIFICATION BY THE BANK. The Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by the Bank under this Agreement.

10.3. THIRD PARTY CLAIMS.

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

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

relating to goods purchased from the Company), even if the Company has been advised of the possibility of such claims.

10.4. DISPUTE RESOLUTION AND ACTIONS. The Bank and the Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 10.4.

10.5. LIMITATION ON ACTIONS. No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than one year after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

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

10.7. SURVIVAL. The provisions of this Section 10 shall survive the termination of this Agreement.

Section 11. TERMINATION.

11.1 TERM. This Agreement shall remain in effect until the tenth anniversary of the date hereof, shall be automatically extended until the twelfth anniversary of the date hereof if the Company does not give at least 12 months' prior written notice of its objection to such extension and shall be further automatically extended in successive two-year increments if the Bank or the Company does not give at least 12 months' prior written notice of its objection to such extension, unless earlier terminated (a) by the Bank or the Company in the event of a material breach by the other party of any of such other party's obligations under this Agreement if any such breach remains uncured 30 days after

written notice thereof to such party, (b) automatically in the event that the Bank or the Company commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereinafter in effect, seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its assets, consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or (c) by the Company upon not less than 60 days' prior written notice to the Bank at any time after the sixth anniversary of the date hereof if, based on the application of the attached matrix, the applicable discount rate exceeds the highest discount rate in such matrix and the costs to the Company under this Agreement are substantially higher than the costs that would be incurred by the Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; PROVIDED that the Company shall not be entitled to terminate this Agreement pursuant to clause (c) unless the Company provides the Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and is entitled to submit a counter-proposal within 30 days of receipt of such description. If the Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal or agrees to maintain the discount rate at the highest discount rate in the attached matrix, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in the Bank's counter-proposal. Subject to Section 11.2, the termination of this Agreement shall not affect the obligations of the Cardholders to the Bank, the obligation of the Company and the Bank to make the payments required under Section 4 with respect to Transactions that occurred before the date of termination, the rights of the Bank under Sections 4.4, 7.4 and 9.1 and the rights of the Company under Section 9.1. Sections 10, 11 and 12 of this Agreement shall survive any such termination.

11.2. EFFECT OF TERMINATION. (a) Upon termination of this Agreement, the Company will have the option to purchase the then-outstanding Credit Card account balances not previously written-off by the Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to the Bank, and will be provided with all related account information and other account data; PROVIDED that the Company will be required to purchase such then-outstanding Credit Card account balances on such terms if the Company objects to any

automatic extension of this Agreement pursuant to Section All payments by the Company pursuant to this Section 11.2 shall be made not later than one Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by the Bank to the Company not less than two Business Days prior to the payment date. Upon any termination of this Agreement, (i) the Company (at its sole expense) shall notify all Cardholders that the Bank is no longer the processor of their Credit Card accounts and (ii) the Company and the Bank shall cooperate in facilitating the transition to a new processor.

(b) Upon receipt of any notice of termination from the Company, or delivery of any notice of termination by the Bank, the Bank shall divide all then-outstanding Credit Card receivables generated through the use of Credit Cards under the "Lerner" and "Lerner New York" Marks into separate retail and mail order memo account balances based on the ratio of retail and mail order purchases by the relevant Cardholder during the 12 months preceding the month in which such notice is received or delivered by the Bank, as the case may be. During the period between the delivery of such notice and termination of this Agreement, purchases and returns through such Credit Cards shall be applied to the relevant account balance based upon the source of the relevant purchase and payments, finance charges and any other adjustments will be applied to the separate balances based upon mail order/retail account balance ratios of such accounts at the end of the preceding month. Upon termination of this Agreement, the Company will have the option to purchase the then-outstanding "Lerner" and "Lerner New York" retail account balances in accordance with subsection (a) of this Section 11.2.

11.3. EXTENSION. Any services which the parties hereto mutually agree to be rendered after the termination of this Agreement shall be rendered pursuant to all of the terms and provisions of this Agreement.

Section 12. MISCELLANEOUS.

12.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given, if to the Company, to:

Lerner New York, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

with a copy to:

The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

and a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attn: Dennis S. Hersch
Telecopy: 212-450-4800

and if to the Bank, to:

World Financial Network National Bank
4590 East Broad Street
Columbus, Ohio 43213
Attn: Daniel T. Groomes
Telecopy: 614-755-3418

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 12.1.

12.2. AMENDMENTS; NO WAIVERS.

12.2.1. Any provision of this Agreement may be amended only if such amendment is in writing and signed by all parties thereto.

12.2.2. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

12.3. EXPENSES. All costs and expenses incurred in connection with the this Agreement or the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

12.4. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; PROVIDED that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party. Notwithstanding the foregoing, (i) the Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of the Bank, provided that any such assignee of the Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to the Company, (ii) the Company shall assign or otherwise transfer all of its rights and obligations under this Agreement (A) to the purchaser of all or substantially all of the assets of the Business or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to the Company or any successor (whether by merger, consolidation or otherwise) thereto, in each case subject to the execution by such assignee or transferee of an agreement to be bound by the provisions of this Agreement and (iii) the Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against the Company for any reason whatsoever and (B) the Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser)

12.5. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the law of the State of New York (without regard to the choice of law provisions thereof)

12.6. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto or thereto shall have received a counterpart hereof signed by the other parties hereto.

12.7. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to such subject matter. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision thereof is intended to

confer upon any Person other than the parties any rights or remedies' hereunder.

12.8. JURISDICTION. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated thereby may be brought against any of the parties in the United States District Court for the Southern District of New York or any state court sitting in the City of New York, Borough of Manhattan, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 12.1, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

12.9. CAPTIONS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

12.10. DEFINED TERMS. The following terms, as used herein, shall have the following meanings:

12.10.1. "AFFILIATE" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

12.10.2. "BUSINESS DAY" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Columbus, Ohio are authorized or required by law to close.

12.10.3. "PERSON" means an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

12.10.4. "SEASON" means (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first

day of the fiscal month of August to the last day of the fiscal month of January.

12.11. FORCE MAJEURE. Notwithstanding the provisions of Section 8.3, neither the Bank nor its affiliates shall be liable in any mariner to the Company far any failure to perform their obligations under this Agreement resulting in any manner from delay, failure in performance, loss or damage due to fire, strike, embargo, explosion, power blackout, earthquake, flood, war, the elements, labor disputes, civil or military authority, acts of God, public enemy, inability to secure fuel, acts or omissions of carriers or other causes beyond their reasonable control, whether or not similar to any of the foregoing (a "FORCE MAJEURE EVENT").

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

WORLD FINANCIAL NETWORK
NATIONAL BANK

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

LERNER NEW YORK, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

NEVADA RECEIVING FACTORING, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

Exhibit 10.5

CREDIT CARD PROCESSING AGREEMENT

This Credit Card Processing Agreement is made as of this 31st day of January, 1996 between WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association (the "BANK"), and Express, Inc., a Delaware corporation (the "CORPORATION"), and Retail Factoring, Inc., a Nevada corporation ("FACTORING") (the Corporation and Factoring being collectively referred to herein as the "COMPANY").

WHEREAS the Company and the Bank believe that it is desirable and in their respective best interests for the Bank to continue, in a manner generally consistent with past practices, to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Company's Express retail or catalogue business (the "BUSINESS") which will allow the customers of the Company to purchase goods from the Company using funds advanced by the Bank; and

WHEREAS in order to implement such arrangements, the parties hereto desire to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. TRADEMARKS. The Company hereby authorizes the Bank to use the trademark "Express" on credit cards owned or issued by the Bank, monthly billing statements, collection correspondence, credit card agreements, credit applications, customer service correspondence and in such other written and oral communications with cardholders as are necessary or convenient in connection with this Agreement, in each case consistent with past practices. The "Express" trademark is referred to herein as the "MARK". The Company shall have the right to approve in its sole discretion the "art" (including colors and font styles) for all proposed uses of the Mark by the Bank. The Bank shall not use the Mark for any purpose other than as set forth in the first sentence of this Section 1.

Section 2. CREDIT CARD SYSTEM.

2.1. NEW CREDIT CARDS.

2.1.1. ISSUANCE OF CREDIT CARDS. To the extent requested by the Company, the Bank will issue credit cards bearing the Mark ("CREDIT CARDS") to customers of the Business who apply for such Credit Cards and related extensions of credit. Such customers (i) must qualify for the extension of credit under credit standards related to

new account approvals, credit limits and authorization management ("CREDIT STANDARDS") which will be determined by the Bank from time to time and (ii) must accept the Bank's standard form of credit card agreement containing the terms and conditions governing extensions of credit to Persons who hold Credit Cards and their authorized users (attached hereto as Exhibit 2.1.1(a)). Notwithstanding the foregoing, (i) the Credit Standards established by the Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Business shall be consistent with past practices (as described in Exhibit 2.1.1(b)), with such changes as shall be (A) approved by the Company in its reasonable discretion or (B) determined by the Bank in good faith to be necessary from the standpoint of safe and sound banking practices and (ii) the Bank may make any change in the terms of its agreement with any person who holds a Credit Card (including repayment terms, fees and finance charge rates) after prior notice to and consultation with the Company. The Bank hereby confirms its understanding that the Company intends to offer and promote credit as outlined in Section 2.2. The Bank will bear the costs of the issuance of Credit Cards under this Section 2.1.

2.1.2. CREDIT MAXIMIZATION. The Company will be entitled to use credit related promotional strategies consistent with past practices. The Bank will work in good faith with the Company to develop business strategies with respect to the issuance of Credit Cards intended to maximize the potential of the Business and, in that regard, will consider in good faith proposals involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card; PROVIDED that subject to compliance with the provisions of Section 2.1.1, Credit Standards and the terms of such agreement shall in all circumstances be determined by the Bank. The terms of any program involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card, including (without limitation) fees or other charges to be paid by either party, shall be agreed on a program-by-program basis.

2.2. PROMOTION. The Company will use its reasonable efforts to promote the use of Credit Cards in the Business and to acquire new Cardholders (as defined below), for the Bank through the use of, for example, "instant credit," "quick credit," pre-approved solicitations, applications and promotional material displayed in stores and inserted in catalogues and special offers to Cardholders, in each case consistent with past practices. The costs incurred by the Company and the Bank (including, among other things, the cost of printing application forms, promotional material, pre-approved solicitations and instant

and quick credit contracts and the cost of special offers) will be borne by the Company and the Bank on terms to be negotiated from time to time in a manner consistent with past practices. The Bank shall have two Business Days to review for legal compliance all credit application forms and marketing materials (including, without limitation, those referred to above) prior to their being printed.

Section 3. ACCEPTANCE OF CREDIT CARDS. The Company will permit Persons who hold Credit Cards (subject to the restrictions of this Agreement) or other credit cards owned by the Bank that the Bank has designated and their authorized users ("CARDHOLDERS") to purchase goods sold by the Business without any cash payment by use of a Credit Card, subject to the following conditions:

3.1. CHARGE SLIP (CREDIT CARD PRESENTED). If the customer presents a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects the following:

3.1.1. A brief identification of the property or service purchased (the "TRANSACTION");

3.1.2. The date of the Transaction;

3.1.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.1.4. An imprint or electronic capture of the Credit Card account number or, in the event of equipment malfunction, a written notation of such account number; and

3.1.5. The Cardholder's signature.

3.2. CHARGE SLIP (CREDIT CARD NOT PRESENTED). The Bank acknowledges and agrees that a Cardholder need not present a Credit Card at the time of sale and that, subject to Section 3.5, the Company may accept charges to a Credit Card verbally from the customer or via a written order form from the customer. If the customer does not present a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects, in lieu of the information set forth in Section 3.1.1 through 3.1.5, the following:

3.2.1. A brief identification of the Transaction;

3.2.2. The date of the Transaction;

3.2.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.2.4. A written notation of the Credit Card account number, which shall have been obtained from the customer and recorded in the Company's customer file;

3.2.5. The customer's name and address and, except in the case of catalogue purchases, personal identification type and number; and

3.2.6. If applicable, the name and address to where the merchandise which was the subject of the Transaction was shipped and the date and method of shipment.

3.3. RETENTION OF CHARGE SLIP. The Company will retain a legible copy of each charge slip for six months following the date of the Transaction and will provide such copy to the Bank within 30 days of the Bank's request therefor; PROVIDED that the Bank will request delivery of such information only in the case of a bona fide dispute (the existence of such dispute to be determined by the Bank in its reasonable discretion) relating to the underlying Transaction, upon the inquiry of the applicable Cardholder or as requested by auditors of the Bank in connection with their audit of the Bank's financial statements or by any governmental authority.

3.4. AUTHORIZATION. The Transaction is authorized by the Bank in accordance with the floor limits and other procedures in effect at the time or such authorization is dispensed with under rules established by the Bank from time to time in accordance with Section 8.3 to deal with situations in which authorization is not available because of disruption of the Bank's computer system or other causes provided for in such rules, consistent with past practice.

3.5. CHARGEBACKS. The Company agrees to accept as a chargeback any charge on a Credit Card where:

3.5.1. The Cardholder disputes the charge and the Company fails to provide a legible copy of the charge slip within 30 days of the Bank's request therefor in accordance with Section 3.3;

3.5.2. The Company failed to obtain authorization from the Bank in accordance with Section 3.4;

3.5.3. The Company failed to complete the charge slip in accordance with Section 3.1 or 3.2, as applicable;

3.5.4. A Company employee fraudulently misused the Credit Card or account number;

3.5.5. A dispute arises from the Cardholder being charged or credited more than once for the same sale, payment or return;

3.5.6. A dispute with the Cardholder arises from a voided Transaction or an invalid Credit Card account number;

3.5.7. A dispute with the Cardholder arises from an improperly opened Credit Card account, or the account is otherwise uncollectible, where a Company employee failed to comply with new account procedures in effect at the time the account was opened;

3.5.8. The Bank, consistent with past practices, gives the Cardholder credit for (or accepts as payment) a non-expired discount coupon or gift certificate in respect of a prior purchase; or

3.5.9. A dispute arises from the Company's failure properly to identify a catalogue purchaser as the Cardholder where such failure results in merchandise being shipped without the actual Cardholder's authorization.

The amount charged back with supporting detail will be invoiced to the Company weekly, and all required payments by the Company shall be made within 30 days after receipt of an invoice. If the Company pays the Bank any chargeback amount pursuant to this Section 3.5 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such chargeback from the Cardholder subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

Section 4. PAYMENT.

4.1. PAYMENT BY BANK.

4.1.1. The Bank will pay to the Company, as full consideration for any Transaction between the Company and any Cardholder using a Credit Card, as to which the Company has complied with the provisions of Section 3 above, the amount shown on the records of the Company for each Transaction, including all applicable shipping, handling and taxes, less a discount, which discount shall be equal to the discount rate determined in accordance with Section 4.1.5 (expressed as a fraction) multiplied by the amount shown on the records of the Company for each Transaction (exclusive of all applicable shipping, handling and taxes).

4.1.2. The Bank will pay such amount by transferring immediately available funds to an account designated by the Company at any bank to which the Bank may make electronic fund transfers before the end of the second Business Day following the receipt by the Bank of the information required by Section 3.1 or 3.2, such information to be properly formatted and edited and transferred via a telecommunications connection between the Company and the Bank pursuant to such computer programs and telecommunications protocols as the Bank may, in its reasonable discretion, designate from time to time, subject to reasonable prior notice. The Company will transmit (in the manner referred to above) to the Bank an audited and balanced file in the format specified by the Bank containing all such information within two Business Days after the occurrence of the underlying Transaction; PROVIDED that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, the Company will transmit such information relating to such store locations as soon as reasonably practicable after polling is completed.

4.1.3. The Company may not attempt to collect any amount from any Cardholder with respect to a Transaction which has been paid for by the Bank under this Section 4.1 and not charged back to the Company pursuant to Section 3.5.

4.1.4. The Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Cards ("IN-STORE PAYMENTS"). Any In-Store Payments received by the Company will be held in trust for the Bank and its assigns and netted against amounts payable by the Bank pursuant to Section 4.1.1 (PROVIDED that the Company shall not be required to keep In-Store Payments separate from other payments received by the Company) and evidence of such payments will be transmitted to the Bank on a daily basis in accordance with the procedures set forth in Section 4.1.2. Notwithstanding the foregoing:

(a) if any bankruptcy or other insolvency proceeding has been commenced against the Company (and so long as the same has not been dismissed), the Company shall promptly comply with any written instruction (a "STORE PAYMENT NOTICE") received by the Company from the Bank or any successor to the Bank as "Servicer" under the Pooling and Servicing Agreement referred to below (the Bank or any such successor being the "SERVICER") to take either of the following actions (as specified in such instruction):

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

Pooling and Servicing Agreement to give such notice); or

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

PROVIDED that the Company need not take the actions specified in clause (i) or clause (ii) if the Company or any of its affiliates provides the Servicer or the Trustee under (and as defined in) the Pooling and Servicing Agreement with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all conditions specified in the Pooling and Servicing Agreement with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(b) if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, In-Store Payments shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this clause (b) and Section 4.2 is less than $10,000, by check), not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as the Company complies with instructions delivered in accordance with paragraph (a) or (b), any amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for In-Store Payments.

For purposes of the foregoing, the "POOLING AND SERVICING AGREEMENT" means the Pooling and Servicing Agreement dated as of January 17, 1996 among the Bank and The Bank of New York, as trustee, including each Supplement thereunder, as the same may be amended, supplemented or otherwise modified from time to time, except that no amendment, supplement or other modification to such Agreement that affects the circumstances in which the Company may be required to take the actions referred to in

paragraph (a) or (b) above or in Section 4.2.3 shall be given effect for purposes of this Agreement unless consented to by the Company.

4.1.5. DISCOUNT RATE. The applicable discount rate referred to in Section 4.1.1 shall be the then applicable discount rate determined in accordance with the matrix set forth in Exhibit 4.1.5; PROVIDED that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by the Bank to Cardholders, the Company and the Bank agree to negotiate in good faith an increase in the discount rate.

4.2. PAYMENT BY COMPANY. If the Bank has paid the Company for any Transaction and

4.2.1. If:

(a) the representations and warranties of the Company with respect to such Transaction, as set forth in Sections 5.1 through 5.3 below, are not true in all material respects; or

(b) any merchandise which was the subject of such Transaction is returned to the Company and the Company, pursuant to its policies concerning returned merchandise, accepts such merchandise for credit; or

(c) in order to settle a dispute concerning the nature, quality or quantity of goods purchased from the Company with the Credit Card, the Company agrees to refund all or part of the purchase price thereof; then

4.2.2. The Company:

(a) shall pay the Bank an amount equal to the face amount of such Transaction or portion thereof refunded to the customer, less any discount actually taken by the Bank when it made payment to the Company in consideration for such Transaction pursuant to Section 4.1.1;

(b) shall create a written memorandum of such Transaction setting forth the information required by Section 3 above (a "CREDIT MEMORANDUM");

(c) shall transmit the information contained in such Credit Memorandum to the Bank by the method of electronic transmission referred to in Section 4.1.2 above; and

(d) subject to Section 4.2.3, shall permit the payment required by this Section 4.2 to be netted against amounts payable by the Bank pursuant to Section 4.1.1. The

Company shall retain any such Credit Memorandum in the same manner and for the same time as the charge slip referred to in Section 3.3 and shall promptly deliver any such Credit Memorandum to the Bank upon its request. If the Company pays the Bank any amount for a Transaction pursuant to this Section 4.2 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such Transaction from the customer subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

4.2.3. Notwithstanding clause (d) of Section 4.2.2, if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, amounts payable by the Company pursuant to Section 4.2 ("ADJUSTMENT PAYMENTS") shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer the amount of each Adjustment Payment to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this Section 4.2 and clause (b) of Section 4.1.4 is less than $10,000, by check), not later than the second Business Day following the date on which the events giving risk to such Adjustment Payment occur (and amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for Adjustment Payments).

4.3. OTHER FEES.

4.3.1. DEFERRED PAYMENT. If any Transaction between the Company and any Cardholder using a Credit Card is consummated on a deferred payment basis (for which the period of deferral may not exceed 90 days), then for each month during the period of deferral, the Company will pay the Bank an amount equal to the Deferred Payment Rate for such month multiplied by the average daily balance of purchase price so deferred during such month. For purposes of this Section 4.3, "DEFERRED PAYMENT RATE" means, for any month, (i) if the debt of the Bank has an implied investment grade rating at all times during such month, the average interest rate paid by the Bank to obtain funds during such month, and (ii) if the debt of the Bank does not have an implied investment grade rating at all times during such month, the then-current reference rate or index maintained or provided by a nationally recognized investment banking firm (which firm shall be reasonably acceptable to the Company and the Bank) in respect of issuers whose debt has the lowest investment grade rating.

4.3.2. POSTAL RATE ADJUSTMENT. The Company agrees to reimburse the Bank for any costs incurred by the

Bank as a result of changes in postal rates or rules applicable to mailings to Cardholders after the date hereof; PROVIDED that the postal costs and postal discounts applicable to mailings to Cardholders shall be no less favorable than the postal costs and postal discounts applicable to comparable mailings to holders of any other credit cards issued by the Bank. The Bank and the Company agree to use their reasonable efforts to minimize postal costs and maximize postal discounts.

4.3.3. SPECIAL PROJECTS. With respect to special services provided by the Bank from time to time with respect to the Business (including, without limitation, consulting, surveys, gift certificate calls and fulfillment, rebate fulfillment, telemarketing and special processing or accounting reports required in connection with promotional activities), the Company will pay to the Bank amounts to be agreed on a program-by-program basis. To the extent not otherwise provided for in this Agreement, (i) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $1,000 without having first obtained prior written or oral authorization from the Company for such expenses; and (ii) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $50,000 without having first obtained prior written authorization from the Company for such expenses; PROVIDED that, in the event any terms of any such written authorization are in conflict with the terms of this Agreement, the terms of this Agreement shall be controlling.

4.3.4. PAYMENTS. All amounts payable by the Company under this Section 4.3 shall be paid by wire transfer of immediately available funds within 30 days after receipt of an invoice for such amounts.

4.4. SETOFFS. The Bank may at any time, in addition to all other rights and remedies available to it, setoff against any amount owing to the Company by the Bank under this Agreement, any amounts owing by the Company to the Bank under this Agreement.

4.5. INVOICE. The amount of any invoice prepared and delivered by the Bank under this Agreement shall be deemed to be correct, accurate and binding upon the Company if the Company makes no objection within 30 days after the date of such invoice; PROVIDED that the making of any objection shall not relieve the Company of its obligation to make full payment of the amount set forth on the related invoice when such amount is otherwise payable pursuant to this Section 4, it being understood that the Company does not waive its rights thereby and may, subject to Section

10.4, assert a claim with respect to such invoice in an appropriate proceeding.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Bank that:

5.1. VALID TRANSACTIONS. Each Transaction will be completed in compliance with the provisions of Section 3 and will create a valid, binding and legally enforceable obligation of the Cardholder whose name is shown on the Credit Card to pay to the Company the amount shown on the charge slip, which obligation to the Company will be discharged in full by the payment made to the Company by the Bank in respect of such Transaction under Section 4.1 above.

5.2. ACCURATE INFORMATION. Each charge slip will accurately reflect the Transaction described therein. Each charge slip and Credit Memorandum and any charge slip or Credit Memorandum information transmitted to the Bank by the Company will be complete and accurate and in a form deemed necessary by the Bank to allow Cardholder billing in accordance with applicable law. The Company will accurately report all returns and other credits to the Bank within the time period specified in Section 4.

5.3. NO LIENS. No amount due to the Company with respect to any Transaction will be subject to any lien or encumbrance in favor of any third party or to any offset, counterclaim or defense of any Person other than the Bank or its Affiliates.

5.4. MARK. The use of the Mark by the Bank under this Agreement does not infringe the rights of any other Person.

Section 6. REPRESENTATIONS AND WARRANTIES OF THE BANK. The Bank hereby represents and warrants to the Company that:

6.1. COMPLIANCE WITH LAWS. Each Credit Card and the related credit card agreement, all monthly billing statements and any collection efforts of the Bank conform and will conform in all material respects with all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws ("CONSUMER LAWS").

6.2. NON-CONTRAVENTION. The performance by the Bank of its obligations under this Agreement will not

conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Bank is party or by which the Bank is bound, nor will such performance result in any violation of the provisions of the articles of association or the by-laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

Section 7. COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with the Bank as follows:

7.1. CREDIT CARD NOTICES AND COMMUNICATIONS. The Company will, consistent with past practices, accept and turn over to the Bank promptly upon receipt thereof by the Company (i) subject to Section 4.1.4, any payments made by any Cardholder with respect to any Transaction or any Credit Card and (ii) any notices or other communications received by the Company with respect to any Credit Card including, without limitation, customer changes of address and other information on approved forms.

7.2. COMPLIANCE WITH APPLICABLE LAW. The Company will, at all times, comply in all material respects with all Consumer Laws.

7.3. RULES. The Company shall comply with such written rules and operating instructions relating to the use of the Credit Cards, the distribution of applications, Credit Card security, authorization procedures, "downtime" procedures and other matters related to this Agreement as the Bank may, from time to time, promulgate with prior notice to the Company; PROVIDED that such rules and operating instructions shall be consistent with past practices, with such changes as shall be approved by the Company in its reasonable discretion.

7.4. CARDHOLDER INQUIRIES AND COMPLAINTS. If a Cardholder makes an inquiry or complaint to the Company about the nature, quality or quantity of goods purchased from the Company with a Credit Card, or a Cardholder has made an inquiry or complaint to the Bank concerning the nature, quality or quantity of goods purchased from the Company with a Credit Card, the Company shall deal directly with the Cardholder to resolve any such complaint or inquiry. The Company shall answer all inquiries from the Bank about complaints made to the Bank by Cardholders within 10 days after the Company receives an inquiry from the Bank.

7.5. EQUIPMENT. The Company shall obtain and maintain at its own expense such point of sale and authorization terminals, credit card imprinters and other

items of equipment as are necessary for it to receive authorizations, transmit charge slip and Credit Memorandum information, process credit applications and perform its obligations under this Agreement. Such point of sale and authorization terminals shall be capable of communicating with the computer equipment maintained by the Bank according to such computer programs and telecommunications protocols as may be specified by the Bank in its reasonable discretion from time to time subject to reasonable prior notice of any change in such equipment or protocols.

7.6. EXCLUSIVITY. The Company may not accept or promote any credit card as payment for its goods or services unless such credit card is a Credit Card, a proprietary credit card of another division of the Company or any Affiliate of the Company (whether or not issued by the Bank) or a credit card issued by a bank or other Person engaged in the business of issuing credit cards to Persons for the purpose of making payments to third parties generally under such names as Master Card, Visa, Discover, American Express or Optima. The Company may not issue its own credit cards or enter into an agreement with any third party under which credit cards bearing the Mark are issued; PROVIDED that after the second anniversary of the date hereof, the Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark and to accept any Bona Fide Offer by such third party if, at least 30 days prior to accepting such Bona Fide Offer, the Company provides the Bank with an opportunity to submit a competing offer with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark, which competing offer, if it has terms at least as favorable to the Company as such Bona Fide Offer, shall be accepted by the Company in lieu of such Bona Fide Offer. For purposes of this Section 7.6, "BONA FIDE OFFER" means an offer to the Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in the Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to the Company, its Affiliates and other retail or catalogue merchants).

7.7. OBSOLETE MATERIALS. The Company shall reimburse the Bank for the cost of replacing reasonable amounts of obsolete forms and other materials if such replacement is requested by the Company due to changes in the Mark or in the logo, colors or styles used to identify or promote the Business.

Section 8. COVENANTS OF THE BANK. The Bank hereby covenants and agrees with the Company as follows:

8.1. COMPLIANCE WITH APPLICABLE LAW. The Bank will, in issuing, billing, administering, and collecting with respect to the Credit Cards and at all other times, comply in all material respects with all Consumer Laws.

8.2. COLLECTION. The Bank will use efforts to collect from each Cardholder the purchase price and additional taxes and other charges of Transactions consistent with past practices and with its efforts to collect accounts receivable under other credit cards issued by it; PROVIDED that the Bank will initiate collection of any account receivable under a Credit Card at or before the time such account receivable is 60 days past due. The Bank will, consistent with past practices, determine the use and timing of dunning letters, statement messages and collection agents and will manage all written-off accounts (including, without limitation, the management of outside collection agencies). The Bank may implement reasonable variances from past collection practices after prior notice to and consultation with the Company.

8.3. PERFORMANCE STANDARDS. In performing its obligations under this Agreement, subject to Section 12.11, the Bank shall comply with the performance standards set forth in Exhibit 8.3, as such performance standards may be modified from time to time at the reasonable request of the Bank or the Company. Within 10 days after the end of each fiscal month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards. Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

8.4. FORCE MAJEURE EVENT. After the occurrence of a Force Majeure Event (as defined in Section 12.11) which disrupts the availability of the services provided hereunder, the Bank may elect to reestablish the availability of such services. If any such Force Majeure Event comparably disrupts the performance of services similar to the services provided hereunder with respect to one or more other credit cards issued by the Bank, then the Bank shall reestablish the availability of such services to the same extent and within the same timetable under

comparable circumstances as the comparable services are reestablished with respect to such other credit cards. The Bank shall promptly notify the Company of any Force Majeure Event and shall inform the Company whether it will reestablish services and the timetable therefor. If the Bank chooses not to reestablish or take measures to reestablish such services within a reasonable period of time as would be indicated by sound business practice, the Company shall be free to obtain such services from any supplier thereof.

Section 9. PROPERTY RIGHTS.

9.1. RIGHTS OF THE COMPANY. The Company is the owner of the names and addresses of customers of the Business; PROVIDED that (i) as set forth in Section 9.2, the Bank is also the owner of such information with respect to customers of the Business who are also Cardholders and (ii) The Limited, Inc. ("THE LIMITED") is also the owner of such information with respect to customers of the Business until the second anniversary of the date, if any, on which the Company ceases to be an Affiliate of The Limited.

9.2. RIGHTS OF BANK. Except as set forth in Section 9.1, the Bank is the owner of all information relating to the Cardholders (including names and addresses) and the Credit Cards, the copyright to all written material contained in any credit card agreements, applications, billing statements and other forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; PROVIDED that the Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of the Company, (ii) Persons who, in the sole judgment of The Limited, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates and (iii) in the case of disclosure, credit agencies. Subject to Section 9.3, the Company will not have any rights in any information or property of the Bank; PROVIDED that the Bank will provide the Company with such information the Bank owns with respect to Cardholders as the Company may reasonably request in order to develop potential marketing or credit strategies.

9.3. DATABASE. (a) It is the intention of the parties that the Bank will manage, maintain and develop an information marketing database (the "DATABASE") at its own expense, subject to a mutually satisfactory agreement with the Company pursuant to which (i) the Company will agree to utilize the Database, (ii) the Database will be accessible from the Company's offices and (iii) the Bank will provide

the Company with information maintained as part of the Database on terms that are no less favorable than those offered by the Bank to any other recipient of comparable information.

(b) Notwithstanding the foregoing, the Bank will, from time to time at the request of the Company, and without charge, promptly provide the Company with a list of the names and addresses of all Cardholders, all holders of other proprietary credit cards of the Company or any Affiliate of the Company (if issued by the Bank) and all other customers of the Business, any other business of the Company and the business of any other Affiliate of the Company. The Company shall reimburse the Bank for its costs of producing and shipping such list in the format required by the Company within 30 days after receipt of a request for such reimbursement from the Bank.

(c) Subject to Section 9.2, the Bank may make the Database available, and provide information marketing services to, third parties on terms reasonably determined by the Bank; PROVIDED that (i) the allocation among the Bank, the Company and The Limited of fees charged by the Bank to such third parties shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices and (ii) the Bank may not make the Database available, or provide information marketing services to, any Person who, in the sole judgment of The Limited, competes, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates.

9.4. ENVELOPE STUFFING.

9.4.1. Subject to the right of the Bank to include in mailings to Cardholders periodic billing statements and any legal notices which the Bank believes are necessary or appropriate to send to Cardholders, the Company shall have the right to have materials advertising its products and services included in the envelopes containing the periodic statements. Such materials shall advertise only products and services related to the Business, shall (unless the Company provides the Bank with notice as provided below) be limited to seven panels per envelope and shall conform to size requirements established from time to time by the Bank with reasonable prior notice of any changes. The Company shall use reasonable efforts (i) to notify the Bank at least 15 days before the proposed date of any such inclusion and shall provide the Bank with a draft copy of any such advertising material at the time it notifies the Bank of such mailing and (ii) to provide the Bank with a seasonal marketing plan at least 30 days before the beginning date of each Season. The Company shall

provide the Bank with the materials to be included in the mailing not less than two Business Days prior to the initial insertion date. If the Company does not notify the Bank of any such inclusion at least seven days before the proposed date of such inclusion or if the material included does not take up the available space, the Bank may utilize the space remaining inside the envelopes for its own purposes; PROVIDED that (i) unless the Company provides the Bank with notice at least 45 days before the proposed inclusion date of the Company's intent to utilize more than seven panels per envelope, the Bank shall be entitled to utilize at least three panels (or two panels and one "bangtail" remittance envelope) per envelope for its own purposes and (ii) all materials included by the Bank shall be subject to the approval of the Company, which approval shall not be unreasonably withheld.

9.4.2. The Bank shall have the exclusive right to include in any mailing to Cardholders materials advertising products and services not related to the Business and the allocation between the Bank and the Company of the revenues generated thereby shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices; PROVIDED that such products and services and the related advertising materials shall be subject to the approval of the Company, which approval shall not be unreasonably withheld or delayed (it being understood that the Company may withhold such approval if it determines in its sole discretion that the advertising of such products or services is inconsistent with the image of the Business).

9.4.3. Notwithstanding the foregoing, (i) the Bank shall have the right to use its own "bangtail" remittance envelopes to promote credit life insurance to existing Cardholders no more than four times per year or two times per Season and (ii) all materials used, or sent to Cardholders, by the Bank under existing programs of the Bank (including, but not limited to, credit life insurance) shall not be subject to the approval of the Company.

9.4.4. The Bank shall provide timely specifications (including size and weight requirements) for all statement inserts, credit card carriers and "bangtail" remittance envelopes.

Section 10. INDEMNIFICATION; CLAIMS AND ACTIONS.

10.1. INDEMNIFICATION BY THE COMPANY. The Company hereby indemnifies the Bank, its Affiliates and the directors, officers, employees and agents of the Bank or any Affiliate of the Bank (each, a "RELATED PARTY") against, and agrees to hold them harmless from, any and all losses,

claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("DAMAGES") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by the Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of goods or rendering of services by the Company.

10.2. INDEMNIFICATION BY THE BANK. The Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by the Bank under this Agreement.

10.3. THIRD PARTY CLAIMS.

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

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

relating to goods purchased from the Company), even if the Company has been advised of the possibility of such claims.

10.4. DISPUTE RESOLUTION AND ACTIONS. The Bank and the Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 10.4.

10.5. LIMITATION ON ACTIONS. No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than one year after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

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

10.7. SURVIVAL. The provisions of this Section 10 shall survive the termination of this Agreement.

Section 11. TERMINATION.

11.1 TERM. This Agreement shall remain in effect until the tenth anniversary of the date hereof, shall be automatically extended until the twelfth anniversary of the date hereof if the Company does not give at least 12 months' prior written notice of its objection to such extension and shall be further automatically extended in successive two-year increments if the Bank or the Company does not give at least 12 months' prior written notice of its objection to such extension, unless earlier terminated (a) by the Bank or the Company in the event of a material breach by the other party of any of such other party's obligations under this Agreement if any such breach remains uncured 30 days after

written notice thereof to such party, (b) automatically in the event that the Bank or the Company commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereinafter in effect, seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its assets, consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or (c) by the Company upon not less than 60 days' prior written notice to the Bank at any time after the sixth anniversary of the date hereof if, based on the application of the attached matrix, the applicable discount rate exceeds the highest discount rate in such matrix and the costs to the Company under this Agreement are substantially higher than the costs that would be incurred by the Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; PROVIDED that the Company shall not be entitled to terminate this Agreement pursuant to clause (c) unless the Company provides the Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and is entitled to submit a counter-proposal within 30 days of receipt of such description. If the Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal or agrees to maintain the discount rate at the highest discount rate in the attached matrix, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in the Bank's counter-proposal. Subject to Section 11.2, the termination of this Agreement shall not affect the obligations of the Cardholders to the Bank, the obligation of the Company and the Bank to make the payments required under Section 4 with respect to Transactions that occurred before the date of termination, the rights of the Bank under Sections 4.4, 7.4 and 9.1 and the rights of the Company under Section 9.1. Sections 10, 11 and 12 of this Agreement shall survive any such termination.

11.2. EFFECT OF TERMINATION. Upon termination of this Agreement, the Company will have the option to purchase the then-outstanding Credit Card account balances not previously written-off by the Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to the Bank, and will be provided with all related account information and other account data; PROVIDED that the Company will be required to purchase such then-outstanding Credit Card account balances on such terms if the Company objects to any automatic

extension of this Agreement pursuant to Section 11.1. All payments by the Company pursuant to this Section 11.2 shall be made not later than one Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by the Bank to the Company not less than two Business Days prior to the payment date. Upon any termination of this Agreement, (i) the Company (at its sole expense) shall notify all Cardholders that the Bank is no longer the processor of their Credit Card accounts and (ii) the Company and the Bank shall cooperate in facilitating the transition to a new processor.

11.3. EXTENSION. Any services which the parties hereto mutually agree to be rendered after the termination of this Agreement shall be rendered pursuant to all of the terms and provisions of this Agreement.

Section 12. MISCELLANEOUS.

12.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given, if to the Company, to:

Express, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

with a copy to:

The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

and a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attn: Dennis S. Hersch
Telecopy: 212-450-4800

and if to the Bank, to:

World Financial Network National Bank
4590 East Broad Street
Columbus, Ohio 43213
Attn: Daniel T. Groomes
Telecopy: 614-755-3418

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 12.1.

12.2. AMENDMENTS; NO WAIVERS.

12.2.1. Any provision of this Agreement may be amended only if such amendment is in writing and signed by all parties thereto.

12.2.2. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

12.3. EXPENSES. All costs and expenses incurred in connection with the this Agreement or the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

12.4. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; PROVIDED that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party. Notwithstanding the foregoing, (i) the Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of the Bank, provided that any such assignee of the Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to the Company, (ii) the Company shall assign or otherwise transfer all of its rights and obligations under this Agreement (A) to the purchaser of all or substantially all of the assets of the Business or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to the Company or any successor (whether by merger, consolidation or otherwise) thereto, in each case subject to the execution by such assignee or transferee of an agreement to be bound by the provisions of this Agreement and (iii) the Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing

obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against the Company for any reason whatsoever and (B) the Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

12.5. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the law of the State of New York (without regard to the choice of law provisions thereof).

12.6. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto or thereto shall have received a counterpart hereof signed by the other parties hereto.

12.7. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to such subject matter. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision thereof is intended to confer upon any Person other than the parties any rights or remedies hereunder.

12.8. JURISDICTION. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated thereby may be brought against any of the parties in the United States District Court for the Southern District of New York or any state court sitting in the City of New York, Borough of Manhattan, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 12.1, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

12.9. CAPTIONS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

12.10. DEFINED TERMS. The following terms, as used herein, shall have the following meanings:

12.10.1. "AFFILIATE" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

12.10.2. "BUSINESS DAY" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Columbus, Ohio are authorized or required by law to close.

12.10.3. "PERSON" means an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

12.10.4. "SEASON" means (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January.

12.11. FORCE MAJEURE. Notwithstanding the provisions of Section 8.3, neither the Bank nor its affiliates shall be liable in any manner to the Company for any failure to perform their obligations under this Agreement resulting in any manner from delay, failure in performance, loss or damage due to fire, strike, embargo, explosion, power blackout, earthquake, flood, war, the elements, labor disputes, civil or military authority, acts of God, public enemy, inability to secure fuel, acts or omissions of carriers or other causes beyond their reasonable control, whether or not similar to any of the foregoing (a "FORCE MAJEURE EVENT").

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

WORLD FINANCIAL NETWORK
NATIONAL BANK

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

EXPRESS, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

RETAIL FACTORING, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

Exhibit 10.6

CREDIT CARD PROCESSING AGREEMENT

This Credit Card Processing Agreement is made as of this 31st day of January, 1996 between WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association (the "BANK"), and The Limited Stores, Inc., a Delaware corporation (the "CORPORATION"), and American Receivable Factoring, Inc., a Nevada corporation ("FACTORING") (the Corporation and Factoring being collectively referred to herein as the "COMPANY").

WHEREAS the Company and the Bank believe that it is desirable and in their respective best interests for the Bank to continue, in a manner generally consistent with past practices, to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Company's The Limited retail or catalogue business (the "BUSINESS") which will allow the customers of the Company to purchase goods from the Company using funds advanced by the Bank; and

WHEREAS in order to implement such arrangements, the parties hereto desire to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. TRADEMARKS. The Company hereby authorizes the Bank to use the trademark "The Limited" on credit cards owned or issued by the Bank, monthly billing statements, collection correspondence, credit card agreements, credit applications, customer service correspondence and in such other written and oral communications with cardholders as are necessary or convenient in connection with this Agreement, in each case consistent with past practices. The "The Limited" trademark is referred to herein as the "MARK". The Company shall have the right to approve in its sole discretion the "art" (including colors and font styles) for all proposed uses of the Mark by the Bank. The Bank shall not use the Mark for any purpose other than as set forth in the first sentence of this Section 1.

Section 2. CREDIT CARD SYSTEM.

2.1. NEW CREDIT CARDS.

2.1.1. ISSUANCE OF CREDIT CARDS. To the extent requested by the Company, the Bank will issue credit cards bearing the Mark ("CREDIT CARDS") to customers of the Business who apply for such Credit Cards and related extensions of credit. Such customers (i) must qualify for

the extension of credit under credit standards related to new account approvals, credit limits and authorization management ("CREDIT STANDARDS") which will be determined by the Bank from time to time and (ii) must accept the Bank's standard form of credit card agreement containing the terms and conditions governing extensions of credit to Persons who hold Credit Cards and their authorized users (attached hereto as Exhibit 2.1.1(a)). Notwithstanding the foregoing, (i) the Credit Standards established by the Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Business shall be consistent with past practices (as described in Exhibit 2.1.1(b)), with such changes as shall be (A) approved by the Company in its reasonable discretion or (B) determined by the Bank in good faith to be necessary from the standpoint of safe and sound banking practices and (ii) the Bank may make any change in the terms of its agreement with any person who holds a Credit Card (including repayment terms, fees and finance charge rates) after prior notice to and consultation with the Company. The Bank hereby confirms its understanding that the Company intends to offer and promote credit as outlined in Section 2.2. The Bank will bear the costs of the issuance of Credit Cards under this Section 2.1.

2.1.2. CREDIT MAXIMIZATION. The Company will be entitled to use credit related promotional strategies consistent with past practices. The Bank will work in good faith with the Company to develop business strategies with respect to the issuance of Credit Cards intended to maximize the potential of the Business and, in that regard, will consider in good faith proposals involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card; PROVIDED that subject to compliance with the provisions of Section 2.1.1, Credit Standards and the terms of such agreement shall in all circumstances be determined by the Bank. The terms of any program involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card, including (without limitation) fees or other charges to be paid by either party, shall be agreed on a program-by-program basis.

2.2. PROMOTION. The Company will use its reasonable efforts to promote the use of Credit Cards in the Business and to acquire new Cardholders (as defined below), for the Bank through the use of, for example, "instant credit," "quick credit," pre-approved solicitations, applications and promotional material displayed in stores and inserted in catalogues and special offers to Cardholders, in each case consistent with past practices. The costs incurred by the Company and the Bank (including, among other things, the cost of printing application forms,

promotional material, pre-approved solicitations and instant and quick credit contracts and the cost of special offers) will be borne by the Company and the Bank on terms to be negotiated from time to time in a manner consistent with past practices. The Bank shall have two Business Days to review for legal compliance all credit application forms and marketing materials (including, without limitation, those referred to above) prior to their being printed.

Section 3. ACCEPTANCE OF CREDIT CARDS. The Company will permit Persons who hold Credit cards (subject to the restrictions of this Agreement) or other credit cards owned by the Bank that the Bank has designated and their authorized users ("CARDHOLDERS") to purchase goods sold by the Business without any cash payment by use of a Credit Card, subject to the following conditions:

3.1. CHARGE SLIP (CREDIT CARD PRESENTED). If the customer presents a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects the following:

3.1.1. A brief identification of the property or service purchased (the "TRANSACTION");

3.1.2. The date of the Transaction;

3.1.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.1.4. An imprint or electronic capture of the Credit Card account number or, in the event of equipment malfunction, a written notation of such account number; and

3.1.5 The Cardholder's signature.

3.2. CHARGE SLIP (CREDIT CARD NOT PRESENTED). The Bank acknowledges and agrees that a Cardholder need not present a Credit Card at the time of sale and that, subject to Section 3.5, the Company may accept charges to a Credit Card verbally from the customer or via a written order form from the customer. If the customer does not present a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects, in lieu of the information set forth in Section 3.1.1 through 3.1.5, the following:

3.2.1 A brief identification of the Transaction;

3.2.2. The date of the Transaction;

3.2.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.2.4. A written notation of the Credit Card account number, which shall have been obtained from the customer and recorded in the Company's customer file;

3.2.5. The customer's name and address and except in the case of catalogue purchases, personal identification type and number; and

3.2.6. If applicable, the name and address to where the merchandise which was the subject of the Transaction was shipped and the date and method of shipment.

3.3. RETENTION OF CHARGE SLIP. The Company will retain a legible copy of each charge slip for six months following the date of the Transaction and will provide such copy to the Bank within 30 days of the Bank's request therefor; PROVIDED that the Bank will request delivery of such information only in the case of a bona fide dispute (the existence of such dispute to be determined by the Bank in its reasonable discretion) relating to the underlying Transaction, upon the inquiry of the applicable Cardholder or as requested by auditors of the Bank in connection with their audit of the Bank's financial statements or by any governmental authority.

3.4. AUTHORIZATION. The Transaction is authorized by the Bank in accordance with the floor limits and other procedures in effect at the time or such authorization is dispensed with under rules established by the Bank from time to time in accordance with Section 8.3 to deal with situations in which authorization is not available because of disruption of the Bank's computer system or other causes provided for in such rules, consistent with past practice.

3.5. CHARGEBACKS. The Company agrees to accept as a chargeback any charge on a Credit Card where:

3.5.1. The Cardholder disputes the charge and the Company fails to provide a legible copy of the charge slip within 30 days of the Bank's request therefor in accordance with Section 3.3;

3.5.2. The Company failed to obtain authorization from the Bank in accordance with Section 3.4;

3.5.3. The Company failed to complete the charge slip in accordance with Section 3.1 or 3.2, as applicable;

3.5.4. A Company employee fraudulently misused the Credit Card or account number;

3.5.5. A dispute arises from the Cardholder being charged or credited more than once for the same sale, payment or return;

3.5.6. A dispute with the Cardholder arises from a voided Transaction or an invalid Credit Card account number;

3.5.7. A dispute with the Cardholder arises from an improperly opened Credit Card account, or the account is otherwise uncollectible, where a Company employee failed to comply with new account procedures in effect at the time the account was opened;

3.5.8. The Bank, consistent with past practices, gives the Cardholder credit for (or accepts as payment) a non-expired discount coupon or gift certificate in respect of a prior purchase; or

3.5.9. A dispute arises from the Company's failure properly to identify a catalogue purchaser as the Cardholder where such failure results in merchandise being shipped without the actual Cardholder's authorization.

The amount charged back with supporting detail will be invoiced to the Company weekly, and all required payments by the Company shall be made within 30 days after receipt of an invoice. If the Company pays the Bank any chargeback amount pursuant to this Section 3.5 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such chargeback from the Cardholder subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

Section 4. PAYMENT.

4. 1 PAYMENT BY BANK.

4.1.1. The Bank will pay to the Company, as full consideration for any Transaction between the Company and any Cardholder using a Credit Card, as to which the Company has complied with the provisions of Section 3 above, the amount shown on the records of the Company for each Transaction, including all applicable shipping, handling and taxes, less a discount, which discount shall be equal to the discount rate determined in accordance with Section 4.1.5 (expressed as a fraction) multiplied by the amount shown on the records of the Company for each Transaction (exclusive of all applicable shipping, handling and taxes).

4.1.2. The Bank will pay such amount by transferring immediately available funds to an account designated by the Company at any bank to which the Bank may make electronic fund transfers before the end of the second Business Day following the receipt by the Bank of the information required by Section 3.1 or 3.2, such information to be properly formatted and edited and transferred via a telecommunications connection between the Company and the Bank pursuant to such computer programs and telecommunications protocols as the Bank may, in its reasonable discretion, designate from time to time, subject to reasonable prior notice. The Company will transmit (in the manner referred to above) to the Bank an audited and balanced file in the format specified by the Bank containing all such information within two Business Days after the occurrence of the underlying Transaction; PROVIDED that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, the Company will transmit such information relating to such store locations as soon as reasonably practicable after polling is completed.

4.1.3. The Company may not attempt to collect any amount from any Cardholder with respect to a Transaction which has been paid for by the Bank under this Section 4.1 and not charged back to the Company pursuant to Section 3.5.

4.1.4. The Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Cards ("IN-STORE PAYMENTS"). Any In-Store Payments received by the Company will be held in trust for the Bank and its assigns and netted against amounts payable by the Bank pursuant to Section 4.1.1 (PROVIDED that the Company shall not be required to keep In-Store Payments separate from other payments received by the Company) and evidence of such payments will be transmitted to the Bank on a daily basis in accordance with the procedures set forth in Section 4.1.2. Notwithstanding the foregoing:

(a) if any bankruptcy or other insolvency proceeding has been commenced against the Company (and so long as the same has not been dismissed), the Company shall promptly comply with any written instruction (a "STORE PAYMENT NOTICE") received by the Company from the Bank or any successor to the Bank as "Servicer" under the Pooling and Servicing Agreement referred to below (the Bank or any such successor being the "SERVICER") to take either of the following actions (as specified in such instruction):

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

Pooling and Servicing Agreement to give such notice); or

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

PROVIDED that the Company need not take the actions specified in clause (i) or clause (ii) if the Company or any of its affiliates provides the Servicer or the Trustee under (and as defined in) the Pooling and Servicing Agreement with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all conditions specified in the Pooling and Servicing Agreement with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(b) if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, In-Store Payments shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this clause (b) and Section 4.2 is less than $10,000, by check), not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as the Company complies with instructions delivered in accordance with paragraph (a) or (b), any amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for In-Store Payments.

For purposes of the foregoing, the "POOLING AND SERVICING AGREEMENT" means the Pooling and Servicing Agreement dated as of January 17, 1996 among the Bank and The Bank of New York, as trustee, including each Supplement thereunder, as the same may be amended, supplemented or otherwise modified from time to time, except that no amendment, supplement or other modification to such Agreement that affects the circumstances in which the Company may be required to take the actions referred to in

paragraph (a) or (b) above or in Section 4.2.3 shall be given effect for purposes of this Agreement unless consented to by the Company.

4.1.5. DISCOUNT RATE. The applicable discount rate referred to in Section 4.1.1 shall be the then applicable discount rate determined in accordance with the matrix set forth in Exhibit 4.1.5; PROVIDED that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by the Bank to Cardholders, the Company and the Bank agree to negotiate in good faith an increase in the discount rate.

4.2. PAYMENT BY COMPANY. If the Bank has paid the Company for any Transaction and

4.2. 1. If:

(a) the representations and warranties of the Company with respect to such Transaction, as set forth in Sections 5.1 through 5.3 below, are not true in all material respects; or

(b) any merchandise which was the subject of such Transaction is returned to the Company and the Company, pursuant to its policies concerning returned merchandise, accepts such merchandise for credit; or

(c) in order to settle a dispute concerning the nature, quality or quantity of goods purchased from the Company with the Credit Card, the Company agrees to refund all or part of the purchase price thereof; then

4.2. 2. The Company:

(a) shall pay the Bank an amount equal to the face amount of such Transaction or portion thereof refunded to the customer, less any discount actually taken by the Bank when it made payment to the Company in consideration for such Transaction pursuant to Section 4.1.1;

(b) shall create a written memorandum of such Transaction setting forth the information required by Section 3 above (a "CREDIT MEMORANDUM);

(c) shall transmit the information contained in such Credit Memorandum to the Bank by the method of electronic transmission referred to in Section 4.1.2 above and

(d) subject to Section 4.2.3, shall permit the payment required by this Section 4.2 to be netted against amounts payable by the Bank pursuant to Section 4.1.1. The

Company shall retain any such Credit Memorandum in the same manner and for the same time as the charge slip referred to in Section 3.3 and shall promptly deliver any such Credit Memorandum to the Bank upon its request. if the Company pays the Bank any amount for a Transaction pursuant to this Section 4.2 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such Transaction from the customer subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

4.2.3. Notwithstanding clause (d) of Section 4.2.2, if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, amounts payable by the Company pursuant to Section 4.2 ("ADJUSTMENT PAYMENTS") shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer the amount of each Adjustment Payment to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this Section 4.2 and clause (b) of Section 4.1.4 is less than $10,000, by check), not later than the second Business Day following the date on which the events giving risk to such Adjustment Payment occur (and amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for Adjustment Payments).

4.3. OTHER FEES.

4.3.1. DEFERRED PAYMENT. If any Transaction between the Company and any Cardholder using a Credit Card is consummated on a deferred payment basis (for which the period of deferral may not exceed 90 days), then for each month during the period of deferral, the Company will pay the Bank an amount equal to the Deferred Payment Rate for such month multiplied by the average daily balance of purchase price so deferred during such month. For purposes of this Section 4.3, "DEFERRED PAYMENT RATE" means, for any month, (i) if the debt of the Bank has an implied investment grade rating at all times during such month, the average interest rate paid by the Bank to obtain funds during such month, and (ii) if the debt of the Bank does not have an implied investment grade rating at all times during such month, the then-current reference rate or index maintained or provided by a nationally recognized investment banking firm (which firm shall be reasonably acceptable to the Company and the Bank) in respect of issuers whose debt has the lowest investment grade rating.

4.3.2. POSTAL RATE ADJUSTMENT. The Company agrees to reimburse the Bank for any costs incurred by the

Bank as a result of changes in postal rates or rules applicable to mailings to Cardholders after the date hereof; PROVIDED that the postal costs and postal discounts applicable to mailings to Cardholders shall be no less favorable than the postal costs and postal discounts applicable to comparable mailings to holders of any other credit cards issued by the Bank. The Bank and the Company agree to use their reasonable efforts to minimize postal costs and maximize postal discounts.

4.3.3. SPECIAL PROJECTS. With respect to special services provided by the Bank from time to time with respect to the Business (including, without limitation, consulting, surveys, gift certificate calls and fulfillment, rebate fulfillment, telemarketing and special processing or accounting reports required in connection with promotional activities), the Company will pay to the Bank amounts to be agreed on a program-by-program basis. To the extent not otherwise provided for in this Agreement, (i) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $1,000 without having first obtained prior written or oral authorization from the Company for such expenses; and (ii) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $50,000 without having first obtained prior written authorization from the Company for such expenses; PROVIDED that, in the event any terms of any such written authorization are in conflict with the terms of this Agreement, the terms of this Agreement shall be controlling.

4.3.4. PAYMENTS. All amounts payable by the Company under this Section 4.3 shall be paid by ire transfer of immediately available funds within 30 days after receipt of an invoice for such amounts.

4.4. SETOFFS. The Bank may at any time, in addition to all other rights and remedies available to it, setoff against any amount owing to the Company by the Bank under this Agreement, any amounts owing by the Company to the Bank under this Agreement.

4.5. INVOICE. The amount of any invoice prepared and delivered by the Bank under this Agreement shall be deemed to be correct, accurate and binding upon the Company if the Company makes no objection within 30 days after the date of such invoice; PROVIDED that the making of any objection shall not relieve the Company of its obligation to make full payment of the amount set forth on the related invoice when such amount is otherwise payable pursuant to this Section 4, it being understood that the Company does not waive its rights thereby and may, subject to Section

10.4, assert a claim with respect to such invoice in an appropriate proceeding.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Bank that:

5.1. VALID TRANSACTIONS. Each Transaction will be completed in compliance with the provisions of Section 3 and will create a valid, binding and legally enforceable obligation of the Cardholder whose name is shown on the Credit Card to pay to the Company the amount shown on the charge slip, which obligation to the Company will be discharged in full by the payment made to the Company by the Bank in respect of such Transaction under Section 4.1 above.

5.2. ACCURATE INFORMATION. Each charge slip will accurately reflect the Transaction described therein. Each charge slip and Credit Memorandum and any charge slip or Credit Memorandum information transmitted to the Bank by the Company will be complete and accurate and in a form deemed necessary by the Bank to allow Cardholder billing in accordance with applicable law. The Company will accurately report all returns and other credits to the Bank within the time period specified in Section 4.

5.3. NO LIENS. No amount due to the Company with respect to any Transaction will be subject to any lien or encumbrance in favor of any third party or to any offset, counterclaim or defense of any Person other than the Bank or its Affiliates.

5.4. MARK. The use of the mark by the Bank under this Agreement does not infringe the rights of any other Person.

Section 6. REPRESENTATIONS AND WARRANTIES OF THE BANK. The Bank hereby represents and warrants to the Company that:

6.1. COMPLIANCE WITH LAWS. Each Credit Card and the related credit card agreement, all monthly billing statements and any collection efforts of the Bank conform and will conform in all material respects with all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws ("CONSUMER LAWS").

6.2 NON-CONTRAVENTION. The performance by the Bank of its obligations under this Agreement will not

conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Bank is party or by which the Bank is bound, nor will such performance result in any violation of the provisions of the articles of association or the by-laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

Section 7. COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with the Bank as follows:

7.1. CREDIT CARD NOTICES AND COMMUNICATIONS. The Company will, consistent with past practices, accept and turn over to the Bank promptly upon receipt thereof by the Company (i) subject to Section 4.1.4, any payments made by any Cardholder with respect to any Transaction or any Credit Card and (ii) any notices or other communications received by the Company with respect to any Credit Card including, without limitation, customer changes of address and other information on approved forms.

7.2. COMPLIANCE WITH APPLICABLE LAW. The Company will, at all times, comply in all material respects with all Consumer Laws.

7.3. RULES. The Company shall comply with such written rules and operating instructions relating to the use of the Credit Cards, the distribution of applications, Credit Card security, authorization procedures, "downtime" procedures and other matters related to this Agreement as the Bank may, from time to time, promulgate with prior notice to the Company; PROVIDED that such rules and operating instructions shall be consistent with past practices, with such changes as shall be approved by the Company in its reasonable discretion.

7.4. CARDHOLDER INQUIRIES AND COMPLAINTS. If a Cardholder makes an inquiry or complaint to the Company about the nature, quality or quantity of goods purchased from the Company with a Credit Card, or a Cardholder has made an inquiry or complaint to the Bank concerning the nature, quality or quantity of goods purchased from the Company with a Credit Card, the Company shall deal directly with the Cardholder to resolve any such complaint or inquiry. The Company shall answer all inquiries from the Bank about complaints made to the Bank by Cardholders within 10 days after the Company receives an inquiry from the Bank.

7.5. EQUIPMENT. The company shall obtain and maintain at its own expense such point of sale and authorization terminals, credit card imprinters and other

items of equipment as are necessary for it to receive authorizations, transmit charge slip and Credit Memorandum information, process credit applications and perform its obligations under this Agreement. Such point of sale and authorization terminals shall be capable of communicating with the computer equipment maintained by the Bank according to such computer programs and telecommunications protocols as may be specified by the Bank in its reasonable discretion from time to time subject to reasonable prior notice of any change in such equipment or protocols.

7.6. EXCLUSIVITY. The Company may not accept or promote any credit card as payment for its goods or services unless such credit card is a Credit Card, a proprietary credit card of another division of the Company or any Affiliate of the Company (whether or not issued by the Bank) or a credit card issued by a bank or other Person engaged in the business of issuing credit cards to Persons for the purpose of making payments to third parties generally under such names as Master Card, Visa, Discover, American Express or Optima. The Company may not issue its own credit cards or enter into an agreement with any third party under which credit cards bearing the Mark are issued; PROVIDED that after the second anniversary of the date hereof, the Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark and to accept any Bona Fide offer by such third party if, at least 30 days prior to accepting such Bona Fide Offer, the Company provides the Bank with an opportunity to submit a competing offer with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark, which competing offer, if it has terms at least as favorable to the Company as such Bona Fide Offer, shall be accepted by the Company in lieu of such Bona Fide Offer. For purposes of this Section 7.6, "BONA FIDE OFFER" means an offer to the Company with respect to a program of at least two years, duration for the issuance of co-branded or affinity bank credit cards that is, in the Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to the Company, its Affiliates and other retail or catalogue merchants).

7.7. OBSOLETE MATERIALS. The Company shall reimburse the Bank for the cost of replacing reasonable amounts of obsolete forms and other materials if such replacement is requested by the Company due to changes in the Mark or in the logo, colors or styles used to identify or promote the Business.

Section 8. COVENANTS OF THE BANK. The Bank hereby covenants and agrees with the Company as follows:

8.1. COMPLIANCE WITH APPLICABLE LAW. The Bank will, in issuing, billing, administering, and collecting with respect to the Credit Cards and at all other times, comply in all material respects with all Consumer Laws.

8.2. COLLECTION. The Bank will use efforts to collect from each Cardholder the purchase price and additional taxes and other charges of Transactions consistent with past practices and with its efforts to collect accounts receivable under other credit cards issued by it; PROVIDED that the Bank will initiate collection of any account receivable under a Credit Card at or before the time such account receivable is 60 days past due. The Bank will, consistent with past practices, determine the use and timing of dunning letters, statement messages and collection agents and will manage all written-off accounts (including, without limitation, the management of outside collection agencies). The Bank may implement reasonable variances from past collection practices after prior notice to and consultation with the Company.

8.3. PERFORMANCE STANDARDS. In performing its obligations under this Agreement, subject to Section 12.11, the Bank shall comply with the performance standards set forth in Exhibit 8.3, as such performance standards may be modified from time to time at the reasonable request of the Bank or the Company. Within 10 days after the end of each fiscal month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards. Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

8.4. FORCE MAJEURE EVENT. After the occurrence of a Force Majeure Event (as defined in Section 12.11) which disrupts the availability of the services provided hereunder, the Bank may elect to reestablish the availability of such services. If any such Force Majeure Event comparably disrupts the performance of services similar to the services provided hereunder with respect to one or more other credit cards issued by the Bank, then the Bank shall reestablish the availability of such services to the same extent and within the same timetable under

comparable circumstances as the comparable services are reestablished with respect to such other credit cards. The Bank shall promptly notify the Company of any Force Majeure Event and shall inform the Company whether it will reestablish services and the timetable therefor. If the Bank chooses not to reestablish or take measures to reestablish such services within a reasonable period of time as would be indicated by sound business practice, the Company shall be free to obtain such services from any supplier thereof.

Section 9. PROPERTY RIGHTS.

9.1. RIGHTS OF THE COMPANY. The Company is the owner of the names and addresses of customers of the Business; PROVIDED that (i) as set forth in Section 9.2, the Bank is also the owner of such information with respect to customers of the Business who are also Cardholders and (ii) The Limited, Inc. ("THE LIMITED") is also the owner of such information with respect to customers of the Business until the second anniversary of the date, if any, on which the Company ceases to be an Affiliate of The Limited.

9.2. RIGHTS OF BANK. Except as set forth in Section 9.1, the Bank is the owner of all information relating to the Cardholders (including names and addresses) and the Credit Cards, the copyright to all written material contained in any credit card agreements, applications, billing statements and other forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; PROVIDED that the Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of the Company, (ii) Persons who, in the sole judgment of The Limited, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates and (iii) in the case of disclosure, credit agencies. Subject to Section 9.3, the Company will not have any rights in any information or property of the Bank; PROVIDED that the Bank will provide the Company with such information the Bank owns with respect to Cardholders as the Company may reasonably request in order to develop potential marketing or credit strategies.

9.3. DATABASE. (a) It is the intention of the parties that the Bank will manage, maintain and develop an information marketing database (the "DATABASE") at its own expense, subject to a mutually satisfactory agreement with the Company pursuant to which (i) the Company will agree to utilize the Database, (ii) the Database will be accessible from the Company's offices and (iii) the Bank will provide

the Company with information maintained as part of the Database on terms that are no less favorable than those offered by the Bank to any other recipient of comparable information.

(b) Notwithstanding the foregoing, the Bank will, from time to time at the request of the Company, and without charge, promptly provide the Company with a list of the names and addresses of all Cardholders, all holders of other proprietary credit cards of the Company or any Affiliate of the Company (if issued by the Bank) and all other customers of the Business, any other business of the Company and the business of any other Affiliate of the Company. The Company shall reimburse the Bank for its costs of producing and shipping such list in the format required by the Company within 30 days after receipt of a request for such reimbursement from the Bank.

(c) Subject to Section 9.2, the Bank may make the Database available, and provide information marketing services to, third parties on terms reasonably determined by the Bank; PROVIDED that (i) the allocation among the Bank, the Company and The Limited of fees charged by the Bank to such third parties shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices and (ii) the Bank may not make the Database available, or provide information marketing services to, any Person who, in the sole judgment of The Limited, competes, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates.

9.4. ENVELOPE STUFFING.

9.4.1. Subject to the right of the Bank to include in mailings to Cardholders periodic billing statements and any legal notices which the Bank believes are necessary or appropriate to send to Cardholders, the Company shall have the right to have materials advertising its products and services included in the envelopes containing the periodic statements. Such materials shall advertise only products and services related to the Business, shall (unless the Company provides the Bank with notice as provided below) be limited to seven panels per envelope and shall conform to size requirements established from time to time by the Bank with reasonable prior notice of any changes. The Company shall use reasonable efforts (i) to notify the Bank at least 15 days before the proposed date of any such inclusion and shall provide the Bank with a draft copy of any such advertising material at the time it notifies the Bank of such mailing and (ii) to provide the Bank with a seasonal marketing plan at least 30 days before the beginning date of each Season. The Company shall

provide the Bank with the materials to be included in the mailing not less than two Business Days prior to the initial insertion date. If the Company does not notify the Bank of any such inclusion at least seven days before the proposed date of such inclusion or if the material included does not take up the available space, the Bank may utilize the space remaining inside the envelopes for its own purposes; PROVIDED that (i) unless the Company provides the Bank with notice at least 45 days before the proposed inclusion date of the Company's intent to utilize more than seven panels per envelope, the Bank shall be entitled to utilize at least three panels (or two panels and one "bangtail" remittance envelope) per envelope for its own purposes and (ii) all materials included by the Bank shall be subject to the approval of the Company, which approval shall not be unreasonably withheld.

9.4.2. The Bank shall have the exclusive right to include in any mailing to Cardholders materials advertising products and services not related to the Business and the allocation between the Bank and the Company of the revenues generated thereby shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices; PROVIDED that such products and services and the related advertising materials shall be subject to the approval of the Company, which approval shall not be unreasonably withheld or delayed (it being understood that the Company may withhold such approval if it determines in its sole discretion that the advertising of such products or services is inconsistent with the image of the Business).

9.4.3. Notwithstanding the foregoing, (i) the Bank shall have the right to use its own "bangtail" remittance envelopes to promote credit life insurance to existing Cardholders no more than four times per year or two times per Season and (ii) all materials used, or sent to Cardholders, by the Bank under existing programs of the Bank (including, but not limited to, credit life insurance) shall not be subject to the approval of the Company.

9.4.4. The Bank shall provide timely specifications (including size and weight requirements) for all statement inserts, credit card carriers and "bangtail" remittance envelopes.

Section 10. INDEMNIFICATION; CLAIMS AND ACTIONS.

10.1. INDEMNIFICATION BY THE COMPANY. The Company hereby indemnities the Bank, its Affiliates and the directors, officers, employees and agents of the Bank or any Affiliate of the Bank (each, a "RELATED PARTY") against, and agrees to hold them harmless from, any and all losses,

claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("DAMAGES") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by the Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of goods or rendering of services by the Company.

10.2. INDEMNIFICATION BY THE BANK. The Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by the Bank under this Agreement.

10.3. THIRD PARTY CLAIMS/

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

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

relating to goods purchased from the Company), even if the Company has been advised of the possibility of such claims.

10.4. DISPUTE RESOLUTION AND ACTIONS. The Bank and the Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 10.4.

10.5. LIMITATION AN ACTIONS. No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than one year after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

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

10.7. SURVIVAL. The provisions of this Section 10 shall survive the termination of this Agreement.

Section 11. TERMINATION.

11.1 TERM. This Agreement shall remain in effect until the tenth anniversary of the date hereof, shall be automatically extended until the twelfth anniversary of the date hereof if the Company does not give at least 12 months' prior written notice of its objection to such extension and shall be further automatically extended in successive two-year increments if the Bank or the Company does not give at least 12 months' prior written notice of its objection to such extension, unless earlier terminated (a) by the Bank or the Company in the event of a material breach by the other party of any of such other party's obligations under this Agreement if any such breach remains uncured 30 days after

written notice thereof to such party, (b) automatically in the event that the Bank or the Company commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereinafter in effect, seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its assets, consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or (c) by the Company upon not less than 60 days' prior written notice to the Bank at any time after the sixth anniversary of the date hereof if, based on the application of the attached matrix, the applicable discount rate exceeds the highest discount rate in such matrix and the costs to the Company under this Agreement are substantially higher than the costs that would be incurred by the Company for comparable credit card services over the remaining term of this Agreement from an independent third party financial institution; PROVIDED that the Company shall not be entitled to terminate this Agreement pursuant to clause (c) unless the Company provides the Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and is entitled to submit a counter-proposal within 30 days of receipt of such description. If the Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal or agrees to maintain the discount rate at the highest discount rate in the attached matrix, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in the Bank's counter-proposal. Subject to Section 11.2, the termination of this Agreement shall not affect the obligations of the Cardholders to the Bank, the obligation of the Company and the Bank to make the payments required under Section 4 with respect to Transactions that occurred before the date of termination, the rights of the Bank under Sections 4.4, 7.4 and 9.1 and the rights of the Company under Section 9.1. Sections 10, 11 and 12 of this Agreement shall survive any such termination.

11.2. EFFECT OF TERMINATION. Upon termination of this Agreement, the Company will have the option to purchase the then-outstanding Credit Card account balances not previously written-off by the Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to the Bank, and will be provided with all related account information and other account data; PROVIDED that the Company will be required to purchase such then-outstanding Credit Card account balances on such terms if the Company objects to any automatic

extension of this Agreement pursuant to Section 11.1. All payments by the Company pursuant to this Section 11.2 shall be made not later than one Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by the Bank to the Company not less than two Business Days prior to the payment date. Upon any termination of this Agreement, (i) the Company (at its sole expense) shall notify all Cardholders that the Bank is no longer the processor of their Credit Card accounts and (ii) the Company and the Bank shall cooperate in facilitating the transition to a new processor.

11.3. EXTENSION. Any services which the parties hereto mutually agree to be rendered after the termination of this Agreement shall be rendered pursuant to all of the terms and provisions of this Agreement.

Section 12. MISCELLANEOUS.

12.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given, if to the Company, to:

The Limited Stores, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

with a copy to:

The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

and a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attn: Dennis S. Hersch
Telecopy: 212-450-4800

and if to the Bank, to:

World Financial Network National Bank
4590 East Broad Street
Columbus, Ohio 43213
Attn: Daniel T. Groomes
Telecopy: 614-755-3418

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 12.1.

12.2. AMENDMENTS; NO WAIVERS.

12.2.1. Any provision of this Agreement may be amended only if such amendment is in writing and signed by all parties thereto.

12.2.2. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

12.3. EXPENSES. All costs and expenses incurred in connection with the this Agreement or the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

12.4. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; PROVIDED that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party. Notwithstanding the foregoing, (i) the Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of the Bank, provided that any such assignee of the Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to the Company, (ii) the Company shall assign or otherwise transfer all of its rights and obligations under this Agreement (A) to the purchaser of all or substantially all of the assets of the Business or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to the Company or any successor (whether by merger, consolidation or otherwise) thereto, in each case subject to the execution by such assignee or transferee of an agreement to be bound by the provisions of this Agreement and (iii) the Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing

obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against the Company for any reason whatsoever and (B) the Bank hereby indemnities the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

12.5. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the law of the State of New York (without regard to the choice of law provisions thereof).

12.6. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto or thereto shall have received a counterpart hereof signed by the other parties hereto.

12.7. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to such subject matter. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision thereof is intended to confer upon any Person other than the parties any rights or remedies hereunder.

12.8. JURISDICTION. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated thereby may be brought against any of the parties in the United States District Court for the Southern District of New York or any state court sitting in the City of New York, Borough of Manhattan, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 12.1, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

12.9. CAPTIONS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

12.10. DEFINED TERMS. The following terms, as used herein, shall have the following meanings:

12.10.1. "AFFILIATE" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

12.10.2. "BUSINESS DAY" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Columbus, Ohio are authorized or required by law to close.

12.10.3. "PERSON" means an individual, a corporation., a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

12.10.4. "SEASON" means (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January.

12.11. FORCE MAJEURE. Notwithstanding the provisions of Section 8.3, neither the Bank nor its affiliates shall be liable in any manner to the Company for any failure to perform their obligations under this Agreement resulting in any manner from delay, failure in performance, loss or damage due to fire, strike, embargo, explosion, power blackout, earthquake, flood, war, the elements, labor disputes, civil or military authority, acts of God, public enemy, inability to secure fuel, acts or omissions of carriers or other causes beyond their reasonable control, whether or not similar to any of the foregoing (a "FORCE MAJEURE EVENT").

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

WORLD FINANCIAL NETWORK
NATIONAL BANK

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

THE LIMITED STORES, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

AMERICAN RECEIVABLE FACTORING, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

AMENDMENT TO CREDIT CARD PROCESSING AGREEMENT

This Amendment is entered into as of October 5, 2000, and amends that certain Credit Card Processing Agreement between World Financial Network National Bank, ("Bank ") and The Limited Stores, Inc. and American Receivable Factoring, Inc. (hereinafter referred to collectively as 'Company"), dated January 31, 1996.

WHEREAS, Bank and Company entered into that certain Credit Card Processing Agreement dated January, 31, 1996, (the "Agreement"); and,

WHEREAS, Bank and Company now desire to amend the Agreement as set forth herein;

NOW, THEREFORE, Bank and Company hereby agree as follows:

1. Sections 9.3 (a) and 9.3(c) are hereby deleted in their entirety.

2. The Effective Date of this Amendment shall be June 1, 2000.

3. As hereby amended and supplemented, the Agreement shall remain in full force and effect,

IN WITNESS WHEREOF, the parties hereto have executed this Amendment the date set forth above.

WORLD FINANCIAL NETWORK NATIONAL BANK
(Retail Factoring, Inc.)

By: /s/ Daniel T. Groomes

Daniel T. Groomes, President

THE LIMITED STORES, INC.

By: /s/ Illegible

Title: VP-CRM
Limited Inc.

American Receivable Factoring, Inc.

By: /s/ Timothy B. Lyons

Title: VP

Exhibit 10.7

CREDIT CARD PROCESSING AGREEMENT

This Credit Card Processing Agreement is made as of this 31st day of January, 1996 between WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association (the "BANK"), and Structure, Inc., a Delaware corporation (the "CORPORATION"), and Mountain Factoring, Inc., a Nevada corporation ("FACTORING") (the Corporation and Factoring being collectively referred to herein as the "COMPANY").

WHEREAS the Company and the Bank believe that it is desirable and in their respective best interests for the Bank to continue, in a manner generally consistent with past practices, to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Company's Structure retail or catalogue business (the "BUSINESS") which will allow the customers of the Company to purchase goods from the Company using funds advanced by the Bank; and

WHEREAS in order to implement such arrangements, the parties hereto desire to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. TRADEMARKS. The Company hereby authorizes the Bank to use the trademark "Structure" on credit cards owned or issued by the Bank, monthly billing statements, collection correspondence, credit card agreements, credit applications, customer service correspondence and in such other written and oral communications with cardholders as are necessary or convenient in connection with this Agreement, in each case consistent with past practices. The "Structure" trademark is referred to herein as the "MARK". The Company shall have the right to approve in its sole discretion the "art" (including colors and font styles) for all proposed uses of the Mark by the Bank. The Bank shall not use the Mark for any purpose other than as set forth in the first sentence of this Section 1.

Section 2. CREDIT CARD SYSTEM.

2.1. NEW CREDIT CARDS.

2.1.1. ISSUANCE OF CREDIT CARDS. To the extent requested by the Company, the bank will issue credit cards bearing the Mark ("CREDIT CARDS") to customers of the Business who apply for such Credit Cards and related extensions of credit. Such customers (i) must qualify for

the extension of credit under credit standards related to new account approvals, credit limits and authorization management ("CREDIT STANDARDS") which will be determined by the Bank from time to time and (ii) must accept the Bank's standard form of credit card agreement containing the terms and conditions governing extensions of credit to Persons who hold Credit Cards and their authorized users (attached hereto as Exhibit 2.1.1(a)). Notwithstanding the foregoing, (i) the Credit Standards established by the Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Business shall be consistent with past practices (as described in Exhibit 2.1.1(b)), with such changes as shall be (A) approved by the Company in its reasonable discretion or (B) determined by the Bank in good faith to be necessary from the standpoint of safe and sound banking practices and (ii) the Bank may make any change in the terms of its agreement with any person who holds a Credit Card (including repayment terms, fees and finance charge rates) after prior notice to and consultation with the Company. The Bank hereby confirms its understanding that the Company intends to offer and promote credit as outlined in Section 2.2. The Bank will bear the costs of the issuance of Credit Cards under this Section 2.1.

2.1.2. CREDIT MAXIMIZATION. The Company will be entitled to use credit related promotional strategies consistent with past practices. The Bank will work in good faith with the Company to develop business strategies with respect to the issuance of Credit Cards intended to maximize the potential of the Business and, in that regard, will consider in good faith proposals involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card; PROVIDED that subject to compliance with the provisions of Section 2.1.1, Credit Standards and the terms of such agreement shall in all circumstances be determined by the Bank. The terms of any program involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card, including (without limitation) fees or other charges to be paid by either party, shall be agreed on a program-by-program basis.

2.2. PROMOTION. The Company will use its reasonable efforts to promote the use of Credit Cards in the Business and to acquire new Cardholders (as defined below), for the Bank through the use of, for example, "instant credit," "quick credit," pre-approved solicitations, applications and promotional material displayed in stores and inserted in catalogues and special offers to Cardholders, in each case consistent with past practices. The costs incurred by the Company and the Bank (including, among other things, the cost of printing application forms,

promotional material, pre-approved solicitations and instant and quick credit contracts and the cost of special offers) will be borne by the Company and the Bank on terms to be negotiated from time to time in a manner consistent with past practices. The Bank shall have two Business Days to review for legal compliance all credit application forms and marketing materials (including, without limitation, those referred to above) prior to their being printed.

Section 3. ACCEPTANCE OF CREDIT CARDS. The Company will permit Persons who hold Credit Cards (subject to the restrictions of this Agreement) or other credit cards owned by the Bank that the Bank has designated and their authorized users ("CARDHOLDERS") to purchase goods sold by the Business without any such payment by use of a Credit Card, subject to the following conditions:

3.1. CHARGE SLIP (CREDIT CARD PRESENTED). If the customer presents a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects the following:

3.1.1. A brief identification of the property or service purchased (the "TRANSACTION");

3.1.2. The date of the Transaction;

3.1.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.1.4. An imprint or electronic capture of the Credit Card account number or, in the event of equipment malfunction, a written notation of such account number; and

3.1.5. The Cardholder's signature.

3.2. CHARGE SLIP (CREDIT CARD NOT PRESENTED). The Bank acknowledges and agrees that a Cardholder need not present a Credit Card at the time of sale and that, subject to Section 3.5, the Company may accept charges to a Credit Card verbally from the customer or via a written order form from the customer. If the customer does not present a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects, in lieu of the information set forth in Section 3.1.1 through 3.1.5, the following:

3.2.1. A brief identification of the Transaction;

3.2.2. The date of the Transaction;

3.2.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.2.4. A written notation of the Credit Card account number, which shall have been obtained from the customer and recorded in the Company's customer file;

3.2.5. The customer's name and address and, except in the case of catalogue purchases, personal identification type and number; and

3.2.6. If applicable, the name and address to where the merchandise which was the subject of the Transaction was shipped and the date and method of shipment.

3.3. RETENTION OF CHARGE SLIP. The Company will retain a legible copy of each charge slip for six months following the date of the Transaction and will provide such copy to the Bank within 30 days of the Bank's request therefor; PROVIDED that the Bank will request delivery of such information only in the case of a bona fide dispute (the existence of such dispute to be determined by the Bank in its reasonable discretion) relating to the underlying Transaction, upon the inquiry of the applicable Cardholder or as requested by auditors of the Bank in connection with their audit of the Bank's financial statements or by any governmental authority.

3.4. AUTHORIZATION. The Transaction is authorized by the Bank in accordance with the floor limits and other procedures in effect at the time or such authorization is dispensed with under rules established by the Bank from time to time in accordance with Section 8.3 to deal with situations in which authorization is not available because of disruption of the Bank's computer system or other causes provided for in such rules, consistent with past practice.

3.5. CHARGEBACKS. The Company agrees to accept as a chargeback any charge on a Credit Card where:

3.5.1. The Cardholder disputes the charge and the Company fails to provide a legible copy of the charge slip within 30 days of the Bank's request therefor in accordance with Section 3.3;

3.5.2. The Company failed to obtain authorization from the Bank in accordance with Section 3.4;

3.5.3. The Company failed to complete the charge slip in accordance with Section 3.1 or 3.2, as applicable;

3.5.4. A Company employee fraudulently misused the Credit Card or account number;

3.5.5. A dispute arises from the Cardholder being charged or credited more than once for the same sale, payment or return;

3.5.6. A dispute with the Cardholder arises from a voided Transaction or an invalid Credit Card account number;

3.5.7. A dispute with the Cardholder arises from an improperly opened Credit Card account, or the account is otherwise uncollectible, where a Company employee failed to comply with new account procedures in effect at the time the account was opened;

3.5.8. The Bank, consistent with past practices, gives the Cardholder credit for (or accepts as payment) a non-expired discount coupon or gift certificate in respect of a prior purchase; or

3.5.9. A dispute arises from the Company's failure properly to identify a catalogue purchaser as the Cardholder where such failure results in merchandise being shipped without the actual Cardholder's authorization.

The amount charged back with supporting detail will be invoiced to the Company weekly, and all required payments by the Company shall be made within 30 days after receipt of an invoice. If the Company pays the Bank any chargeback amount pursuant to this Section 3.5 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such chargeback from the Cardholder subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

Section 4. PAYMENT.

4.1. PAYMENT BY BANK.

4.1.1. The Bank will pay to the Company, as full consideration for any Transaction between the Company and any Cardholder using a Credit Card, as to which the Company has complied with the provisions of Section 3 above, the amount shown on the records of the Company for each Transaction, including all applicable shipping, handling and taxes, less a discount, which discount shall be equal to the discount rate determined in accordance with Section 4.1.5 (expressed as a fraction) multiplied by the amount shown on the records of the Company for each Transaction (exclusive of all applicable shipping, handling and taxes).

4.1.2. The Bank will pay such amount by transferring immediately available funds to an account designated by the Company at any bank to which the Bank may make electronic fund transfers before the end of the second Business Day following the receipt by the Bank of the information required by Section 3.1 or 3.2, such information to be properly formatted and edited and transferred via a telecommunications connection between the Company and the Bank pursuant to such computer programs and telecommunications protocols as the Bank may, in its reasonable discretion, designate from time to time, subject to reasonable prior notice. The Company will transmit (in the manner referred to above) to the Bank an audited and balanced file in the format specified by the Bank containing all such information within two Business Days after the occurrence of the underlying Transaction; PROVIDED that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, the Company will transmit such information relating to such store locations as soon as reasonably practicable after polling is completed.

4.1.3. The Company may not attempt to collect any amount from any Cardholder with respect to a Transaction which has been paid for by the Bank under this Section 4.1 and not charged back to the Company pursuant to Section 3.5.

4.1.4. The Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Cards ("IN-STORE PAYMENTS"). Any In-Store Payments received by the Company will be held in trust for the Bank and its assigns and netted against amounts payable by the Bank pursuant to Section 4.1.1 (PROVIDED that the Company shall not be required to keep In-Store Payments separate from other payments received by the Company) and evidence of such payments will be transmitted to the Bank on a daily basis in accordance with the procedures set forth in Section 4.1.2. Notwithstanding the foregoing:

(a) if any bankruptcy or other insolvency proceeding has been commenced against the Company (and so long as the same has not been dismissed), the Company shall promptly comply with any written instruction (a "STORE PAYMENT NOTICE") received by the Company from the Bank or any successor to the Bank as "Servicer" under the Pooling and Servicing Agreement referred to below (the Bank or any such successor being the "SERVICER") to take either of the following actions (as specified in such instruction).

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

Pooling and Servicing Agreement to give such notice); or

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

PROVIDED that the Company need not take the actions specified in clause (i) or clause (ii) if the Company or any of its affiliates provides the Servicer or the Trustee under (and as defined in) the Pooling and Servicing Agreement with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all conditions specified in the Pooling and Servicing Agreement with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(b) if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, In-Store Payments shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this clause (b) and Section 4.2 is less than $10,000, by check), not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as the Company complies with instructions delivered in accordance with paragraph (a) or (b), any amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for In-Store Payments.

For purposes of the foregoing, the "POOLING AND SERVICING AGREEMENT" means the Pooling and Servicing Agreement dated as of January 17, 1996 among the Bank and The Bank of New York, as trustee, including each Supplement thereunder, as the same may be amended, supplemented or otherwise modified from time to time, except that no amendment, supplement or other modification to such Agreement that affects the circumstances in which the Company may be required to take the actions referred to in

paragraph (a) or (b) above or in Section 4.2.3 shall be given effect for purposes of this Agreement unless consented to by the Company.

4.1.5. DISCOUNT RATE. The applicable discount rate referred to in Section 4.1.1 shall be the then applicable discount rate determined in accordance with the matrix set forth in Exhibit 4.1.5; PROVIDED that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by the Bank to Cardholders, the Company and the Bank agree to negotiate in good faith an increase in the discount rate.

4.2. PAYMENT BY COMPANY. If the Bank has paid the Company for any Transaction and

4.2.1. If:

(a) the representations and warranties of the Company with respect to such Transaction, as set forth in Sections 5.1 through 5.3 below, are not true in all material respects; or

(b) any merchandise which was the subject of such Transaction is returned to the Company and the Company, pursuant to its policies concerning returned merchandise, accepts such merchandise for credit; or

(c) in order to settle a dispute concerning the nature, quality or quantity of goods purchased from the Company with the Credit Card, the Company agrees to refund all or part of the purchase price thereof; then

4.2.2. The Company:

(a) shall pay the Bank an amount equal to the face amount of such Transaction or portion thereof refunded to the customer, less any discount actually taken by the Bank when it made payment to the Company in consideration for such Transaction pursuant to Section 4.1.1;

(b) shall create a written memorandum of such Transaction setting forth the information required by Section 3 above (a "CREDIT MEMORANDUM").

(c) shall transmit the information contained in such Credit Memorandum to the Bank by the method of electronic transmission referred to in Section 4.1.2 above; and

(d) subject to Section 4.2.3, shall permit the payment required by this Section 4.2 to be netted against amounts payable by the Bank pursuant to Section 4.1.1. The

Company shall retain any such Credit Memorandum in the same manner and for the same time as the charge slip referred to in Section 3.3 and shall promptly deliver any such Credit Memorandum to the Bank upon its request. If the Company pays the Bank any amount for a Transaction pursuant to this Section 4.2 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such Transaction from the customer subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

4.2.3. Notwithstanding clause (d) of Section 4.2.2, if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, amounts payable by the Company pursuant to Section 4.2 ("ADJUSTMENT PAYMENTS") shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer the amount of each Adjustment Payment to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this Section 4.2 and clause (b) of Section 4.1.4 is less than $10,000, by check), not later than the second Business Day following the date on which the events giving risk to such Adjustment Payment occur (and amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for Adjustment Payments).

4.3. OTHER FEES.

4.3.1. DEFERRED PAYMENT. If any Transaction between the Company and any Cardholder using a Credit Card is consummated on a deferred payment basis (for which the period of deferral may not exceed 90 days), then for each month during the period of deferral, the Company will pay the Bank an amount equal to the Deferred Payment Rate for such month multiplied by the average daily balance of purchase price so deferred during such month. For purposes of this Section 4.3, "DEFERRED PAYMENT RATE" means, for any month, (i) if the debt of the Bank has an implied investment grade rating at all times during such month, the average interest rate paid by the Bank to obtain funds during such month, and (ii) if the debt of the Bank does not have an implied investment grade rating at all times during such month, the then-current reference rate or index maintained or provided by a nationally recognized investment banking firm (which firm shall be reasonably acceptable to the Company and the Bank) in respect of issuers whose debt has the lowest investment grade rating.

4.3.2. POSTAL RATE ADJUSTMENT. The Company agrees to reimburse the Bank for any costs incurred by the

Bank as a result of changes in postal rates or rules applicable to mailings to Cardholders after the date hereof; PROVIDED that the postal costs and postal discounts applicable to mailings to Cardholders shall be no less favorable than the postal costs and postal discounts applicable to comparable mailings to holders of any other credit cards issued by the Bank. The Bank and the Company agree to use their reasonable efforts to minimize postal costs and maximize postal discounts.

4.3.3. SPECIAL PROJECTS. With respect to special services provided by the Bank from time to time with respect to the Business (including, without limitation, consulting, surveys, gift certificate calls and fulfillment, rebate fulfillment, telemarketing and special processing or accounting reports required in connection with promotional activities), the Company will pay to the Bank amounts to be agreed on a program-by-program basis. To the extent not otherwise provided for in this Agreement, (i) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $1,000 without having first obtained prior written or oral authorization from the Company for such expenses; and (ii) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $50,000 without having first obtained prior written authorization from the Company for such expenses; PROVIDED that, in the event any terms of any such written authorization are in conflict with the terms of this Agreement, the terms of this Agreement shall be controlling.

4.3.4. PAYMENTS. All amounts payable by the Company under this Section 4.3 shall be paid by wire transfer of immediately available funds within 30 days after receipt of an invoice for such amounts.

4.4. SETOFFS. The Bank may at any time, in addition to all other rights and remedies available to it, setoff against any amount owing to the Company by the Bank under this Agreement, any amounts owing by the Company to the Bank under this Agreement.

4.5. INVOICE. The amount of any invoice prepared and delivered by the Bank under this Agreement shall be deemed to be correct, accurate and binding upon the Company if the Company makes no objection within 30 days after the date of such invoice; PROVIDED that the making of any objection shall not relieve the Company of its obligation to make full payment of the amount set forth on the related invoice when such amount is otherwise payable pursuant to this Section 4, it being understood that the Company does not waive its rights thereby and may, subject to Section

10.4, assert a claim with respect to such invoice in an appropriate proceeding.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Bank that:

5.1. VALID TRANSACTIONS. Each Transaction will be completed in compliance with the provisions of Section 3 and will create a valid, binding and legally enforceable obligation of the Cardholder whose name is shown on the Credit Card to pay to the Company the amount shown on the charge slip, which obligation to the Company will be discharged in full by the payment made to the Company by the Bank in respect of such Transaction under Section 4.1 above.

5.2. ACCURATE INFORMATION. Each charge slip will accurately reflect the Transaction described therein. Each charge slip and Credit Memorandum and any charge slip or Credit Memorandum information transmitted to the Bank by the Company will be complete and accurate and in a form deemed necessary by the Bank to allow Cardholder billing in accordance with applicable law. The Company will accurately report all returns and other credits to the Bank within the time period specified in Section 4.

5.3. NO LIENS. No amount due to the Company with respect to any Transaction will be subject to any lien or encumbrance in favor of any third party or to any offset, counterclaim or defense of any Person other than the Bank or its Affiliates.

5.4. MARK. The use of the Mark by the Bank under this Agreement does not infringe the rights of any other Person.

Section 6. REPRESENTATIONS AND WARRANTIES OF THE BANK. The Bank hereby represents and warrants to the Company that:

6.1. COMPLIANCE WITH LAWS. Each Credit Card and the related credit card agreement, all monthly billing statements and any collection efforts of the Bank conform and will conform in all material respects with all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws ("CONSUMER LAWS").

6.2 NON-CONTRAVENTION. The performance by the Bank of its obligations under this Agreement will not

conflict-with or result in a breach of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Bank is party or by which the Bank is bound, nor will such performance result in any violation of the provisions of the articles of association or the by-laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

Section 7. COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with the Bank as follows:

7.1. CREDIT CARD NOTICES AND COMMUNICATIONS. The Company will, consistent with past practices, accept and turn over to the Bank promptly upon receipt thereof by the Company (i) subject to Section 4.1.4, any payments made by any Cardholder with respect to any Transaction or any Credit Card and (ii) any notices or other communications received by the Company with respect to any Credit Card including, without limitation, customer changes of address and other information on approved forms.

7.2. COMPLIANCE WITH APPLICABLE LAW. The Company will, at all times, comply in all material respects with all Consumer Laws.

7.3. RULES. The Company shall comply with such written rules and operating instructions relating to the use of the Credit Cards, the distribution of applications, Credit Card security, authorization procedures, "downtime" procedures and other matters related to this Agreement as the Bank may, from time to time, promulgate with prior notice to the Company; PROVIDED that such rules and operating instructions shall be consistent with past practices, with such changes as shall be approved by the Company in its reasonable discretion.

7.4. CARDHOLDER INQUIRIES AND COMPLAINTS. If a Cardholder makes an inquiry or complaint to the Company about the nature, quality or quantity of goods purchased from the Company with a Credit Card, or a Cardholder has made an inquiry or complaint to the Bank concerning the nature, quality or quantity of goods purchased from the Company with a Credit Card, the Company shall deal directly with the Cardholder to resolve any such complaint or inquiry. The Company shall answer all inquiries from the Bank about complaints made to the Bank by Cardholders within 10 days after the Company receives an inquiry from the Bank.

7.5. EQUIPMENT. The Company shall obtain and maintain at its own expense such point of sale and authorization terminals, credit card imprinters and other

items of equipment as are necessary for it to receive authorizations, transmit charge slip and Credit Memorandum information, process credit applications and perform its obligations under this Agreement. Such point of sale and authorization terminals shall be capable of communicating with the computer equipment maintained by the Bank according to such computer programs and telecommunications protocols as may be specified by the Bank in its reasonable discretion from time to time subject to reasonable prior notice of any change in such equipment or protocols.

7.6. EXCLUSIVITY. The Company may not accept or promote any credit card as payment for its goods or services unless such credit card is a Credit Card, a proprietary credit card of another division of the Company or any Affiliate of the Company (whether or not issued by the Bank) or a credit card issued by a bank or other Person engaged in the business of issuing credit cards to Persons for the purpose of making payments to third parties generally under such names as Master Card, Visa, Discover, American Express or Optima. The Company may not issue its own credit cards or enter into an agreement with any third party under which credit cards bearing the Mark are issued; PROVIDED that after the second anniversary of the date hereof, the Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark and to accept any Bona Fide Offer by such third party if, at least 30 days prior to accepting such Bona Fide Offer, the Company provides the Bank with an opportunity to submit a competing offer with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark, which competing offer, if it has terms at least as favorable to the Company as such Bona Fide Offer, shall be accepted by the Company in lieu of such Bona Fide Offer. For purposes of this Section 7.6, "BONA FIDE OFFER" means an offer to the Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in the Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to the Company, its Affiliates and other retail or catalogue merchants).

7.7. OBSOLETE MATERIALS. The Company shall reimburse the Bank for the cost of replacing reasonable amounts of obsolete forms and other materials if such replacement is requested by the Company due to changes in the Mark or in the logo, colors or styles used to identify or promote the Business.

Section 8. COVENANTS OF THE BANK. The Bank hereby covenants and agrees with the Company as follows:

8.1. COMPLIANCE WITH APPLICABLE LAW. The Bank will, in issuing, billing, administering, and collecting with respect to the Credit Cards and at all other times, comply in all material respects with all Consumer Laws.

8.2. COLLECTION. The Bank will use efforts to collect from each Cardholder the purchase price and additional taxes and other charges of Transactions consistent with past practices and with its efforts to collect accounts receivable under other credit cards issued by it; PROVIDED that the Bank will initiate collection of any account receivable under a Credit Card at or before the time such account receivable is 60 days past due. The Rank will, consistent with past practices, determine the use and timing of dunning letters, statement messages and collection agents and will manage all written-off accounts (including, without limitation, the management of outside collection agencies). The Bank may implement reasonable variances from past collection practices after prior notice to and consultation with the Company.

8.3. PERFORMANCE STANDARDS. In performing its obligations under this Agreement, subject to Section 12.11, the Bank shall comply with the performance standards set forth in Exhibit 8.3, as such performance standards may be modified from time to time at the reasonable request of the Bank or the Company. Within 10 days after the end of each fiscal month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards. Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

8.4. FORCE MAJEURE EVENT. After the occurrence of a Force Majeure Event (as defined in Section 12.11) which disrupts the availability of the services provided hereunder, the Bank may elect to reestablish the availability of such services. If any such Force Majeure Event comparably disrupts the performance of services similar to the services provided hereunder with respect to one or more other credit cards issued by the Bank, then the Bank shall reestablish the availability of such services to the same extent and within the same timetable under

comparable circumstances as the comparable services are reestablished with respect to such other credit cards. The Bank shall promptly notify the Company of any Force Majeure Event and shall inform the Company whether it will reestablish services and the timetable therefor. If the Bank chooses not to reestablish or take measures to reestablish such services within a reasonable period of time as would be indicated by sound business practice, the Company shall be free to obtain such services from any supplier thereof.

Section 9. PROPERTY RIGHTS.

9.1. RIGHTS OF THE COMPANY. The Company is the owner of the names and addresses of customers of the Business; PROVIDED that (i) as set forth in Section 9.2, the Bank is also the owner of such information with respect to customers of the Business who are also Cardholders and (ii) The Limited, Inc. ("THE LIMITED") is also the owner of such information with respect to customers of the Business until the second anniversary of the date, if any, on which the Company ceases to be an Affiliate of The Limited.

9.2. RIGHTS OF BANK. Except as set forth in Section 9.1, the Bank is the owner of all information relating to the Cardholders (including names and addresses) and the Credit Cards, the copyright to all written material contained in any credit card agreements, applications, billing statements and other forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; PROVIDED that the Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of the Company, (ii) Persons who, in the sole judgement of The Limited, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates and (iii) in the case of disclosure, credit agencies. Subject to Section 9.3, the Company will not have any rights in any information or property of the Bank; PROVIDED that the Bank will provide the Company with such information the Bank owns with respect to Cardholders as the Company may reasonably request in order to develop potential marketing or credit strategies.

9.3. DATABASE. (a) It is the intention of the parties that the Bank will manage, maintain and develop an information marketing database (the "DATABASE") at its own expense, subject to a mutually satisfactory agreement with the Company pursuant to which (i) the Company will agree to utilize the Database, (ii) the Database will be accessible from the Company's offices and (iii) the Bank will provide

the Company with information maintained as part of the Database on terms that are no less favorable than those offered by the Bank to any other recipient of comparable information.

(b) Notwithstanding the foregoing, the Bank will, from time to time at the request of the Company, and without charge, promptly provide the Company with a list of the names and addresses of all Cardholders, all holders of other proprietary credit cards of the Company or any Affiliate of the Company (if issued by the Bank) and all other customers of the Business, any other business of the Company and the business of any other Affiliate of the Company. The Company shall reimburse the Bank for its costs of producing and shipping such list in the format required by the Company within 30 days after receipt of a request for such reimbursement from the Bank.

(c) Subject to Section 9.2, the Bank may make the Database available, and provide information marketing services to, third parties on terms reasonably determined by the Bank; PROVIDED that (i) the allocation among the Bank, the Company and The Limited of fees charged by the Bank to such third parties shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices and (ii) the Bank may not make the Database available, or provide information marketing services to, any Person who, in the sole judgment of The Limited, competes, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates.

9.4. ENVELOPE STUFFING.

9.4.1. Subject to the right of the Bank to include in mailings to Cardholders periodic billing statements and any legal notices which the Bank believes are necessary or appropriate to send to Cardholders, the Company shall have the right to have materials advertising its products and services included in the envelopes containing the periodic statements. Such materials shall advertise only products and services related to the Business, shall (unless the Company provides the Bank with notice as provided below) be limited to seven panels per envelope and shall conform to size requirements established from time to time by the Bank with reasonable prior notice of any changes. The Company shall use reasonable efforts (i) to notify the Bank at least 15 days before the proposed date of any such inclusion and shall provide the Bank with a draft copy of any such advertising material at the time it notifies the Bank of such mailing and (ii) to provide the Bank with a seasonal marketing plan at least 30 days before the beginning date of each Season. The Company shall

provide the Bank with the materials to be included in the mailing not less than two Business Days prior to the initial insertion date. If the Company does not notify the Bank of any such inclusion at least seven days before the proposed date of such inclusion or if the material included does not take up the available space, the Bank may utilize the space remaining inside the envelopes for its own purposes; PROVIDED that (i) unless the Company provides the Bank with notice at least 45 days before the proposed inclusion date of the Company's intent to utilize more than seven panels per envelope, the Bank shall be entitled to utilize at least three panels (or two panels and one "bangtail" remittance envelope) per envelope for its own purposes and (ii) all materials included by the Bank shall be subject to the approval of the Company, which approval shall not be unreasonably withheld.

9.4.2. The Bank shall have the exclusive right to include in any mailing to Cardholders materials advertising products and services not related to the Business and the allocation between the Bank and the Company of the revenues generated thereby shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices; PROVIDED that such products and services and the related advertising materials shall be subject to the approval of the Company, which approval shall not be unreasonably withheld or delayed (it being understood that the Company may withhold such approval if it determines in its sole discretion that the advertising of such products or services is inconsistent with the image of the Business).

9.4.3. Notwithstanding the foregoing, (i) the Bank shall have the right to use its own "bangtail" remittance envelopes to promote credit life insurance to existing Cardholders no more than four times per year or two times per Season and (ii) all materials used, or sent to Cardholders, by the Bank under existing programs of the Bank (including, but not limited to, credit life insurance) shall not be subject to the approval of the Company.

9.4.4. The Bank shall provide timely specifications (including size and weight requirements) for all statement inserts, credit card carriers and "bangtail" remittance envelopes.

Section 10. INDEMNIFICATION; CLAIMS AND ACTIONS.

10.1. INDEMNIFICATION BY THE COMPANY. The Company hereby indemnifies the Bank, its Affiliates and the directors, officers, employees and agents of the Bank or any Affiliate of the Bank (each, a "RELATED PARTY") against, and agrees to hold them harmless from, any and all losses,

claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("DAMAGES") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by the Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of goods or rendering of services by the Company.

10.2. INDEMNIFICATION BY THE BANK. The Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by the Bank under this Agreement.

10.3. THIRD PARTY CLAIMS.

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

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

relating to goods purchased from the Company), even if the Company has been advised of the possibility of such claims.

10.4. DISPUTE RESOLUTION AND ACTIONS. The Bank and the Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 10.4.

10.5. LIMITATION ON ACTIONS. No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than one year after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

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

10.7. SURVIVAL. The provisions of this Section 10 shall survive the termination of this Agreement.

Section 11. TERMINATION.

11.1 TERM. This Agreement shall remain in effect until the tenth anniversary of the date hereof, shall be automatically extended until the twelfth anniversary of the date hereof if the Company does not give at least 12 months' prior written notice of its objection to such extension and shall be further automatically extended in successive two-year increments if the Bank or the Company does not give at least 12 months' prior written notice of its objection to such extension, unless earlier terminated (a) by the Bank or the Company in the event of a material breach by the other party of any of such other party's obligations under this Agreement if any such breach remains uncured 30 days after

written notice thereof to such party, (b) automatically in the event that the Bank or the Company commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereinafter in effect, seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its assets, consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or (c) by the Company upon not less than 60 days' prior written notice to the Bank at any time after the sixth anniversary of the date hereof if, based on the application of the attached matrix, the applicable discount rate exceeds the highest discount rate in such matrix and the costs to the Company under this Agreement are substantially higher than the costs that would be incurred by the Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; PROVIDED that the Company shall not be entitled to terminate this Agreement pursuant to clause (c) unless the Company provides the Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and is entitled to submit a counter-proposal within 30 days of receipt of such description. If the Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal or agrees to maintain the discount rate at the highest discount rate in the attached matrix, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in the Bank's counter-proposal. Subject to Section 11.2, the termination of this Agreement shall not affect the obligations of the Cardholders to the Bank, the obligation of the Company and the Bank to make the payments required under Section 4 with respect to Transactions that occurred before the date of termination, the rights of the Bank under Sections 4.4, 7.4 and 9.1 and the rights of the Company under Section 9.1. Sections 10, 11 and 12 of this Agreement shall survive any such termination.

11.2. EFFECT OF TERMINATION. Upon termination of this Agreement, the Company will have the option to purchase the then-outstanding Credit Card account balances not previously written-off by the Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to the Bank, and will be provided with all related account information and other account data; PROVIDED that the Company will be required to purchase such then-outstanding Credit Card account balances on such terms if the Company objects to any automatic

extension of this Agreement pursuant to Section 11.1. All payments by the Company pursuant to this Section 11.2 shall be made not later than one Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by the Bank to the Company not less than two Business Days prior to the payment date. Upon any termination of this Agreement, (i) the Company (at its sole expense) shall notify all Cardholders that the Bank is no longer the processor of their Credit Card accounts and (ii) the Company and the Bank shall cooperate in facilitating the transition to a new processor.

11.3. EXTENSION. Any services which the parties hereto mutually agree to be rendered after the termination of this Agreement shall be rendered pursuant to all of the terms and provisions of this Agreement.

Section 12. MISCELLANEOUS.

12.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given, if to the Company, to:

Structure, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

with a copy to:

The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

and a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attn: Dennis S. Hersch
Telecopy: 212-450-4800

and if to the Bank, to:

World Financial Network National Bank
4590 East Broad Street
Columbus, Ohio 43213
Attn: Daniel T. Groomes
Telecopy: 614-755-3418

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 12.1.

12.2. AMENDMENTS; NO WAIVERS.

12.2.1. Any provision of this Agreement may be amended only if such amendment is in writing and signed by all parties thereto.

12.2.2. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

12.3. EXPENSES. All costs and expenses incurred in connection with the this Agreement or the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

12.4. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; PROVIDED that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party. Notwithstanding the foregoing, (i) the Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of the Bank, provided that any such assignee of the Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to the Company, (ii) the Company shall assign or otherwise transfer all of its rights and obligations under this Agreement (A) to the purchaser of all or substantially all of the assets of the Business or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to the Company or any successor (whether by merger, consolidation or otherwise) thereto, in each case subject to the execution by such assignee or transferee of an agreement to be bound by the provisions of this Agreement and (iii) the Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing

obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against the Company for any reason whatsoever and (B) the Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

12.5. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the law of the State of New York (without regard to the choice of law provisions thereof).

12.6. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto or thereto shall have received a counterpart hereof signed by the other parties hereto.

12.7. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to such subject matter. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision thereof is intended to confer upon any Person other than the parties any rights or remedies hereunder.

12.8. JURISDICTION. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated thereby may be brought against any of the parties in the United States District Court for the Southern District of New York or any state court sitting in the City of New York, Borough of Manhattan, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 12.1, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

12.9. CAPTIONS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

12.10. DEFINED TERMS. The following terms, as used herein, shall have the following meanings:

12.10.1. "AFFILIATE" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

12.10.2. "BUSINESS DAY" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Columbus, Ohio are authorized or required by law to close.

12.10.3. "PERSON" means an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

12.10.4. "SEASON" means (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January.

12.11. FORCE MAJEURE. Notwithstanding the provisions of Section 8.3, neither the Bank nor its affiliates shall be liable in any manner to the Company for any failure to perform their obligations under this Agreement resulting in any manner from delay, failure in performance, loss or damage due to fire, strike, embargo, explosion, power blackout, earthquake, flood, war, the elements, labor disputes, civil or military authority, acts of God, public enemy, inability to secure fuel, acts or omissions of carriers or other causes beyond their reasonable control, whether or not similar to any of the foregoing (a "FORCE MAJEURE EVENT").

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

WORLD FINANCIAL NETWORK
NATIONAL BANK

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

STRUCTURE, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

MOUNTAIN FACTORING, INC

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

Exhibit 10.8

CREDIT CARD PROCESSING AGREEMENT

This Credit Card Processing Agreement is made as of this 31st day of January, 1996 between WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association (the "BANK"), and Lane Bryant, Inc., a Delaware corporation (the "CORPORATION"), and Sierra Nevada Factoring, Inc., a Nevada corporation ("FACTORING") (the Corporation and Factoring being collectively referred to herein as the "COMPANY").

WHEREAS the Company and the Bank believe that it is desirable and in their respective best interests for the Bank to continue, in a manner generally consistent with past practices, to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Company's Lane Bryant retail or catalogue business (the "BUSINESS") which will allow the customers of the Company to purchase goods from the Company using funds advanced by the Bank; and

WHEREAS in order to implement such arrangements, the parties hereto desire to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. TRADEMARKS. The Company hereby authorizes the Bank to use the trademark "Lane Bryant" on credit cards owned or issued by the Bank, monthly billing statements, collection correspondence, credit card agreements, credit applications, customer service correspondence and in such other written and oral communications with cardholders as are necessary or convenient in connection with this Agreement, in each case consistent with past practices. The "Lane Bryant" trademark is referred to herein as the "MARK". The Company shall have the right to approve in its sole discretion the "art" (including colors and font styles) for all proposed uses of the Mark by the Bank. The Bank shall not use the Mark for any purpose other than as set forth in the first sentence of this Section 1.

Section 2. CREDIT CARD SYSTEM.

2.1. NEW CREDIT CARDS.

2.1.1. ISSUANCE OF CREDIT CARDS. To the extent requested by the Company, the Bank will issue credit cards bearing the Mark ("CREDIT CARDS") to customers of the Business who apply for such Credit Cards and related extensions of credit. Such customers (i) must qualify for the extension of credit under credit standards related to

new account approvals, credit limits and authorization management ("CREDIT STANDARDS") which will be determined by the Bank from time to time and (ii) must accept the Bank's standard form of credit card agreement containing the terms and conditions governing extensions of credit to Persons who hold Credit Cards and their authorized users (attached hereto as Exhibit 2.1.1(a)). Notwithstanding the foregoing, (i) the Credit Standards established by the Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Business shall be consistent with past practices (as described in Exhibit 2.1.1(b)), with such changes as shall be (A) approved by the Company in its reasonable discretion or (B) determined by the Bank in good faith to be necessary from the standpoint of safe and sound banking practices and (ii) the Bank may make any change in the terms of its agreement with many person who holds a Credit Card (including repayment terms, fees and finance charge rates) after prior notice to and consultation with the Company. The Bank hereby confirms its understanding that the Company intends to offer and promote credit as outlined in Section 2.2. The Bank will bear the costs of the issuance of Credit Cards under this Section 2.1.

2.1.2. CREDIT MAXIMIZATION. The Company will be entitled to use credit related promotional strategies consistent with past practices. The Bank will work in good faith with the Company to develop business strategies with respect to the issuance of Credit Cards intended to maximize the potential of the Business and, in that regard, will consider in good faith proposals involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card; PROVIDED that subject to compliance with the provisions of Section 2.1.1, Credit Standards and the terms of such agreement shall in all circumstances be determined by the Bank. The terms of any program involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card, including (without limitation) fees or other charges to be paid by either party, shall be agreed on a program-by-program basis.

2.2. PROMOTION. The Company will use its reasonable efforts to promote the use of Credit Cards in the Business and to acquire new Cardholders (as defined below), for the Bank through the use of, for example, "instant credit," "quick credit," pre-approved solicitations, applications and promotional material displayed in stores and inserted in catalogues and special offers to Cardholders, in each case consistent with past practices. The costs incurred by the Company and the Bank (including, among other things, the cost of printing application forms, promotional material, pre-approved solicitations and instant

and quick credit contracts and the cost of special offers) will be borne by the Company and the Bank on terms to be negotiated from time to time in a manner consistent with past practices. The Bank shall have two Business Days to review for legal compliance all credit application forms and marketing materials (including, without limitation, those referred to above) prior to their being printed.

Section 3. ACCEPTANCE OF CREDIT CARDS. The Company will permit Persons who hold Credit Cards (subject to the restrictions of this Agreement) or other credit cards owned by the Bank that the Bank has designated and their authorized users ("Cardholders") to purchase goods sold by the Business without any cash payment by use of a Credit Card, subject to the following conditions:

3.1. CHARGE SLIP (CREDIT CARD PRESENTED). If the customer presents a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects the following:

3.1.1. A brief identification of the property or service purchased (the "TRANSACTION");

3.1.2. The date of the Transaction;

3.1.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transact ion, including applicable shipping, handling and taxes;

3.1.4. An imprint or electronic capture of the Credit Card account number or, in the event of equipment malfunction, a written notation of such account number; and

3.1.5. The Cardholder's signature.

3.2. CHARGE SLIP (CREDIT CARD NOT PRESENTED). The Bank acknowledges and agrees that a Cardholder need not present a Credit Card at the time of sale and that, subject to Section 3.5, the Company may accept charges to a Credit Card verbally from the customer or via a written order form from the customer. If the customer does not present a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects, in lieu of the information set forth in Section 3.1.1 through 3.1.5, the following:

3.2.1. A brief identification of the Transaction;

3.2.2. The date of the Transaction;

3.2.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.2.4. A written notation of the Credit Card account number, which shall have been obtained from the customer and recorded in the Company's customer file;

3.2.5. The customer's name and address and, except in the case of catalogue purchases, personal identification type and number; and

3.2.6. If applicable, the name and address to where the merchandise which was the subject of the Transaction was shipped and the date and method of shipment.

3.3. RETENTION OF CHARGE SLIP. The Company will retain a legible copy of each charge slip for six months following the date of the Transaction and will provide such copy to the Bank within 30 days of the Bank's request therefor; PROVIDED that the Bank will request delivery of such information only in the case of a bona fide dispute (the existence of such dispute to be determined by the Bank in its reasonable discretion) relating to the underlying Transaction, upon the inquiry of the applicable Cardholder or as requested by auditors of the Bank in connection with their audit of the Bank's financial statements or by any governmental authority.

3.4. AUTHORIZATION. The Transaction is authorized by the Bank in accordance with the floor limits and other procedures in effect at the time or such authorization is dispensed with under rules established by the Bank from time to time in accordance with Section 8.3 to deal with situations in which authorization is not available because of disruption of the Bank's computer system or other causes provided for in such rules, consistent with past practice.

3.5. CHARGEBACKS. The Company agrees to accept as a chargeback any charge on a Credit Card where:

3.5.1. The Cardholder disputes the charge and the Company fails to provide a legible copy of the charge slip within 30 days of the Bank's request therefor in accordance with Section 3.3;

3.5.2. The Company failed to obtain authorization from the Bank in accordance with Section 3.4;

3.5.3. The Company failed to complete the charge slip in accordance with Section 3.1 or 3.2, as applicable;

3.5.4. A Company employee fraudulently misused the Credit Card or account number;

3.5.5. A dispute arises from the Cardholder being charged or credited more than once for the same sale, payment or return;

3.5.6. A dispute with the Cardholder arises from a voided Transaction or an invalid Credit Card account number;

3.5.7. A dispute with the Cardholder arises from an improperly opened Credit Card account, or the account is otherwise uncollectible, where a Company employee failed to comply with new account procedures in effect at the time the account was opened;

3.5.8. The Bank, consistent with past practices, gives the Cardholder credit for (or accepts as payment) a non-expired discount coupon or gift certificate in respect of a prior purchase; or

3.5.9. A dispute arises from the Company's failure properly to identify a catalogue purchaser as the Cardholder where such failure results in merchandise being shipped without the actual Cardholder's authorization.

The amount charged back with supporting detail will be invoiced to the Company weekly, and all required payments by the Company shall be made within 30 days after receipt of an invoice. If the Company pays the Bank any chargeback amount pursuant to this Section 3.5 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such chargeback from the Cardholder subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

Section 4. PAYMENT.

4.1. PAYMENT BY BANK.

4.1.1. The Bank will pay to the Company, as full consideration for any Transaction between the Company and any Cardholder using a Credit Card, as to which the Company has complied with the provisions of Section 3 above, the amount shown on the records of the Company for each Transaction, including all applicable shipping, handling and taxes, less a discount, which discount shall be equal to the discount rate determined in accordance with Section 4.1.5 (expressed as a fraction) multiplied by the amount shown on the records of the Company for each Transaction (exclusive of all applicable shipping, handling and taxes).

4.1.2. The Bank will pay such amount by transferring immediately available funds to an account designated by the Company at any bank to which the Bank may make electronic fund transfers before the end of the second Business Day following the receipt by the Bank of the information required by Section 3.1 or 3.2, such information to be properly formatted and edited and transferred via a telecommunications connection between the Company and the Bank pursuant to such computer programs and telecommunications protocols as the Bank may, in its reasonable discretion, designate from time to time, subject to reasonable prior notice. The Company will transmit (in the manner referred to above) to the Bank an audited and balanced file in the format specified by the Bank containing all such information within two Business Days after the occurrence of the underlying Transaction; PROVIDED that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, the Company will transmit such information relating to such store locations as soon as reasonably practicable after polling is completed.

4.1.3. The Company may not attempt to collect any amount from any Cardholder with respect to a Transaction which has been paid for by the Bank under this Section 4.1 and not charged back to the Company pursuant to Section 3.5.

4.1.4. The Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Cards ("IN-STORE PAYMENTS"). Any In-Store Payments received by the Company will be held in trust for the Bank and its assigns and netted against amounts payable by the Bank pursuant to Section 4.1.1 (PROVIDED that the Company shall not be required to keep In-Store Payments separate from other payments received by the Company) and evidence of such payments will be transmitted to the Bank on a daily basis in accordance with the procedures set forth in Section 4.1.2. Notwithstanding the foregoing:

(a) if any bankruptcy or other insolvency proceeding has been commenced against the Company (and so long as the same has not been dismissed), the Company shall promptly comply with any written instruction (a "STORE PAYMENT NOTICE") received by the Company from the Bank or any successor to the Bank as "Servicer" under the Pooling and Servicing Agreement referred to below (the Bank or any such successor being the "SERVICER") to take either of the following actions (as specified in such instruction)

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

Pooling and Servicing Agreement to give such notice); or

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

PROVIDED that the Company need not take the actions specified in clause (i) or clause (ii) if the Company or any of its affiliates provides the Servicer or the Trustee under (and as defined in) the Pooling and Servicing Agreement with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all conditions specified in the Pooling and Servicing Agreement with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(b) if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, In-Store Payments shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this clause (b) and Section 4.2 is less than $10,000, by check), not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as the Company complies with instructions delivered in accordance with paragraph (a) or (b), any amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for In-Store Payments.

For purposes of the foregoing, the "POOLING AND SERVICING AGREEMENT" means the Pooling and Servicing Agreement dated as of January 17, 1996 among the Bank and The Bank of New York, as trustee, including each Supplement thereunder, as the same may be amended, supplemented or otherwise modified from time to time, except that no amendment, supplement or other modification to such Agreement that affects the circumstances in which the Company may be required to take the actions referred to in

paragraph (a) or (b) above or in Section 4.2.3 shall be given effect for purposes of this Agreement unless consented to by the Company.

4.1.5. DISCOUNT RATE. The applicable discount rate referred to in Section 4.1.1 shall be the then applicable discount rate determined in accordance with the matrix set forth in Exhibit 4.1.5; PROVIDED that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by the Bank to Cardholders, the Company and the Bank agree to negotiate in good faith an increase in the discount rate.

4.2. PAYMENT BY COMPANY. If the Bank has paid the Company for any Transaction and

4.2.1. If:

(a) the representations and warranties of the Company with respect to such Transaction, as set forth in Sections 5.1 through 5.3 below, are not true in all material respects; or

(b) any merchandise which was the subject of such Transaction is returned to the Company and the Company, pursuant to its policies concerning returned merchandise, accepts such merchandise for credit; or

(c) in order to settle a dispute concerning the nature, quality or quantity of goods purchased from the Company with the Credit Card, the Company agrees to refund all or part of the purchase price thereof; then

4.2.2. The Company:

(a) shall pay the Bank an amount equal to the face amount of such Transaction or portion thereof refunded to the customer, less any discount actually taken by the Bank when it made payment to the Company in consideration for such Transaction pursuant to Section 4.1.1;

(b) shall create a written memorandum of such Transaction setting forth the information required by Section 3 above (a "CREDIT MEMORANDUM");

(c) shall transmit the information contained in such Credit Memorandum to the Bank by the method of electronic transmission referred to in Section 4.1.2 above; and

(d) subject to Section 4.2.3, shall permit the payment required by this Section 4.2 to be netted against amounts payable by the Bank pursuant to Section 4.1.1. The

Company shall retain any such Credit Memorandum in the same manner and for the same time as the charge slip referred to in Section 3.3 and shall promptly deliver any such Credit Memorandum to the Bank upon its request. If the Company pays the Bank any amount for a Transaction pursuant to this Section 4.2 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such Transaction from the customer subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

4.2.3. Notwithstanding clause (d) of Section 4.2.2, if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, amounts payable by the Company pursuant to Section 4.2 ("ADJUSTMENT PAYMENTS") shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer the amount of each Adjustment Payment to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this Section 4.2 and clause (b) of Section 4.1.4 is less than $10,000, by check), not later than the second Business Day following the date on which the events giving risk to such Adjustment Payment occur (and amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for Adjustment Payments).

4.3. OTHER FEES.

4.3.1. DEFERRED PAYMENT. If any Transaction between the Company and any Cardholder using a Credit Card is consummated on a deferred payment basis (for which the period of deferral may not exceed 90 days), then for each month during the period of deferral, the Company will pay the Bank an amount equal to the Deferred Payment Rate for such month multiplied by the average daily balance of purchase price so deferred during such month. For purposes of this Section 4.3, "DEFERRED PAYMENT RATE" means, for any month, (i) if the debt of the Bank has an implied investment grade rating at all times during such month, the average interest rate paid by the Bank to obtain funds during such month, and (ii) if the debt of the Bank does not have an implied investment grade rating at all times during such month, the then-current reference rate or index maintained or provided by a nationally recognized investment banking firm (which firm shall be reasonably acceptable to the Company and the Bank) in respect of issuers whose debt has the lowest investment grade rating.

4.3.2. POSTAL RATE ADJUSTMENT. The Company agrees to reimburse the Bank for any costs incurred by the

Bank as a-result of changes in postal rates or rules applicable to mailings to Cardholders after the date hereof; PROVIDED that the postal costs and postal discounts applicable to mailings to Cardholders shall be no less favorable than the postal costs and postal discounts applicable to comparable mailings to holders of any other credit cards issued by the Bank. The Bank and the Company agree to use their reasonable efforts to minimize postal costs and maximize postal discounts.

4.3.3. SPECIAL PROJECTS. With respect to special services provided by the Bank from time to time with respect to the Business (including, without limitation, consulting, surveys, gift certificate calls and fulfillment, rebate fulfillment, telemarketing and special processing or accounting reports required in connection with promotional activities), the Company will pay to the Bank amounts to be agreed on a program-by-program basis. To the extent not otherwise provided for in this Agreement, (i) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $1,000 without having first obtained prior written or oral authorization from the Company for such expenses; and (ii) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $50,000 without having first obtained prior written authorization from the Company for such expenses; PROVIDED that, in the event any terms of any such written authorization are in conflict with the terms of this Agreement, the terms of this Agreement shall be controlling.

4.3.4. PAYMENTS. All amounts payable by the Company under this Section 4.3 shall be paid by wire transfer of immediately available funds within 30 days after receipt of an invoice for such amounts.

4.4. SETOFFS. The Bank may at any time, in addition to all other rights and remedies available to it, setoff against any amount owing to the Company by the Bank under this Agreement, any amounts owing by the Company to the Bank under this Agreement.

4.5. INVOICE. The amount of any invoice prepared and delivered by the Bank under this Agreement shall be deemed to be correct, accurate and binding upon the Company if the Company makes no objection within 30 days after the date of such invoice; PROVIDED that the making of any objection shall not relieve the Company of its obligation to make full payment of the amount set forth on the related invoice when such amount is otherwise payable pursuant to this Section 4, it being understood that the Company does not waive its rights thereby and may, subject to Section

10.4, assert a claim with respect to such invoice in an appropriate proceeding.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Bank that:

5.1. VALID TRANSACTIONS. Each Transaction will be completed in compliance with the provisions of Section 3 and will create a valid, binding and legally enforceable obligation of the Cardholder whose name is shown on the Credit Card to pay to the Company the amount shown on the charge slip, which obligation to the Company will be discharged in full by the payment made to the Company by the Bank in respect of such Transaction under Section 4.1 above.

5.2. ACCURATE INFORMATION. Each charge slip will accurately reflect the Transaction described therein. Each charge slip and Credit Memorandum and any charge slip or Credit Memorandum information transmitted to the Bank by the Company will be complete and accurate and in a form deemed necessary by the Bank to allow Cardholder billing in accordance with applicable law. The Company will accurately report all returns and other credits to the Bank within the time period specified in Section 4.

5.3. NO LIENS. No amount due to the Company with respect to any Transaction will be subject to any lien or encumbrance in favor of any third party or to any offset, counterclaim or defense of any Person other than the Bank or its Affiliates.

5.4. MARK. The use of the Mark by the Bank under this Agreement does not infringe the rights of any other Person.

Section 6. REPRESENTATIONS AND WARRANTIES OF THE BANK. The Bank hereby represents and warrants to the Company that:

6.1. COMPLIANCE WITH LAWS. Each Credit Card and the related credit card agreement, all monthly billing statements and any collection efforts of the Bank conform and will conform in all material respects with all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws ("CONSUMER LAWS")

6.2 NON-CONTRAVENTION. The performance by the Bank of its obligations under this Agreement will not

conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Bank is party or by which the Bank is bound, nor will such performance result in any violation of the provisions of the articles of association or the by-laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

Section 7. COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with the Bank as follows:

7.1. CREDIT CARD NOTICES AND COMMUNICATIONS. The Company will, consistent with past practices, accept and turn over to the Bank promptly upon receipt thereof by the Company (i) subject to Section 4.1.4, any payments made by any Cardholder with respect to any Transaction or any Credit Card and (ii) any notices or other communications received by the Company with respect to any Credit Card including, without limitation, customer changes of address and other information on approved forms.

7.2. COMPLIANCE WITH APPLICABLE LAW. The Company will, at all times, comply in all material respects with all Consumer Laws.

7.3. RULES. The Company shall comply with such written rules and operating instructions relating to the use of the Credit Cards, the distribution of applications, Credit Card security, authorization procedures, "downtime" procedures and other matters related to this Agreement as the Bank may, from time to time, promulgate with prior notice to the Company; PROVIDED that such rules and operating instructions shall be consistent with past practices, with such changes as shall be approved by the Company in its reasonable discretion.

7.4. CARDHOLDER INQUIRIES AND COMPLAINTS. If a Cardholder makes an inquiry or complaint to the Company about the nature, quality or quantity of goods purchased from the Company with a Credit Card, or a Cardholder has made an inquiry or complaint to the Bank concerning the nature, quality or quantity of goods purchased from the Company with a Credit Card, the Company shall deal directly with the Cardholder to resolve any such complaint or inquiry. The Company shall answer all inquiries from the Bank about complaints made to the Bank by Cardholders within 10 days after the Company receives an inquiry from the Bank.

7.5. EQUIPMENT. The Company shall obtain and maintain at its own expense such point of sale and authorization terminals, credit card imprinters and other

items of-equipment as are necessary for it to receive authorizations, transmit charge slip and Credit Memorandum information, process credit applications and perform its obligations under this Agreement. Such point of sale and authorization terminals shall be capable of communicating with the computer equipment maintained by the Bank according to such computer programs and telecommunications protocols as may be specified by the Bank in its reasonable discretion from time to time subject to reasonable prior notice of any change in such equipment or protocols.

7.6. EXCLUSIVITY. The Company may not accept or promote any credit card as payment for its goods or services unless such credit card is a Credit Card, a proprietary credit card of another division of the Company or any Affiliate of the Company (whether or not issued by the Bank) or a credit card issued by a bank or other Person engaged in the business of issuing credit cards to Persons for the purpose of making payments to third parties generally under such names as Master Card, Visa, Discover, American Express or Optima. The Company may not issue its own credit cards or enter into an agreement with any third party under which credit cards bearing the Mark are issued; PROVIDED that after the second anniversary of the date hereof, the Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark and to accept any Bona Fide Offer by such third party if, at least 30 days prior to accepting such Bona Fide Offer, the Company provides the Bank with an opportunity to submit a competing offer with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark, which competing offer, if it has terms at least as favorable to the Company as such Bona Fide Offer, shall be accepted by the Company in lieu of such Bona Fide Offer. For purposes of this Section 7.6, "Bona Fide Offer" means an offer to the Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in the Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to the Company, its Affiliates and other retail or catalogue merchants)

7.7. OBSOLETE MATERIALS. The Company shall reimburse the Bank for the cost of replacing reasonable amounts of obsolete forms and other materials if such replacement is requested by the Company due to changes in the Mark or in the logo, colors or styles used to identify or promote the Business.

Section 8. COVENANTS OF THE BANK. The Bank hereby covenants and agrees with the Company as follows:

8.1. COMPLIANCE WITH APPLICABLE LAW. The Bank will, in issuing, billing, administering, and collecting with respect to the Credit Cards and at all other times, comply in all material respects with all Consumer Laws.

8.2. COLLECTION. The Bank will use efforts to collect from each Cardholder the purchase price and additional taxes and other charges of Transactions consistent with past practices and with its efforts to collect accounts receivable under other credit cards issued by it; PROVIDED that the Bank will initiate collection of any account receivable under a Credit Card at or before the time such account receivable is 60 days past due. The Bank will, consistent with past practices, determine the use and timing of dunning letters, statement messages and collection agents and will manage all written-off accounts (including, without limitation, the management of outside collection agencies) . The Bank may implement reasonable variances from past collection practices after prior notice to and consultation with the Company.

8.3. PERFORMANCE STANDARDS. In performing its obligations under this Agreement, subject to Section 12.11, the Bank shall comply with the performance standards set forth in Exhibit 8.3, as such performance standards may be modified from time to time at the reasonable request of the Bank or the Company. Within 10 days after the end of each fiscal month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards. Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

8.4. FORCE MAJEURE EVENT. After the occurrence of a Force Majeure Event (as defined in Section 12.11) which disrupts the availability of the services provided hereunder, the Bank may elect to reestablish the availability of such services. If any such Force Majeure Event comparably disrupts the performance of services similar to the services provided hereunder with respect to one or more other credit cards issued by the Bank, then the Bank shall reestablish the availability of such services to the same extent and within the same timetable under

comparable circumstances as the comparable services are reestablished with respect to such other credit cards. The Bank shall promptly notify the Company of any Force Majeure Event and shall inform the Company whether it will reestablish services and the timetable therefor. If the Bank chooses not to reestablish or take measures to reestablish such services within a reasonable period of time as would be indicated by sound business practice, the Company shall be free to obtain such services from any supplier thereof.

Section 9. PROPERTY RIGHTS.

9.1. RIGHTS OF THE COMPANY. The Company is the owner of the names and addresses of customers of the Business; PROVIDED that (i) as set forth in Section 9.2, the Bank is also the owner of such information with respect to customers of the Business who are also Cardholders and (ii) The Limited, Inc. ("THE LIMITED") is also the owner of such information with respect to customers of the Business until the second anniversary of the date, if any, on which the Company ceases to be an Affiliate of The Limited.

9.2. RIGHTS OF BANK. Except as set forth in Section 9.1, the Bank is the owner of all information relating to the Cardholders (including names and addresses) and the Credit Cards, the copyright to all written material contained in any credit card agreements, applications, billing statements and other forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; PROVIDED that the Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of the Company, (ii) Persons who, in the sole judgment of The Limited, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates and (iii) in the case of disclosure, credit agencies. Subject to Section 9.3, the Company will not have any rights in any information or property of the Bank; PROVIDED that the Bank will provide the Company with such information the Bank owns with respect to Cardholders as the Company may reasonably request in order to develop potential marketing or credit strategies.

9.3. DATABASE. (a) It is the intention of the parties that the Bank will manage, maintain and develop an information marketing database (the "DATABASE") at its own expense, subject to a mutually satisfactory agreement with the Company pursuant to which (i) the Company will agree to utilize the Database, (ii) the Database will be accessible from the Company's offices and (iii) the Bank will provide

the Company with information maintained as part of the Database on terms that are no less favorable than those offered by the Bank to any other recipient of comparable information.

(b) Notwithstanding the foregoing, the Bank will, from time to time at the request of the Company, and without charge, promptly provide the Company with a list of the names and addresses of all Cardholders, all holders of other proprietary credit cards of the Company or any Affiliate of the Company (if issued by the Bank) and all other customers of the Business, any other business of the Company and the business of any other Affiliate of the Company. The Company shall reimburse the Bank for its costs of producing and shipping such list in the format required by the Company within 30 days after receipt of a request for such reimbursement from the Bank.

(c) Subject to Section 9.2, the Bank may make the Database available, and provide information marketing services to, third parties on terms reasonably determined by the Bank; PROVIDED that (i) the allocation among the Bank, the Company and The Limited of fees charged by the Bank to such third parties shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices and (ii) the Bank may not make the Database available, or provide information marketing serviced to, any Person who, in the sole judgment of The Limited, competes, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates.

9.4. ENVELOPE STUFFING.

9.4.1. Subject to the right of the Bank to include in mailings to Cardholders periodic billing statements and any legal notices which the Bank believes are necessary or appropriate to send to Cardholders, the Company shall have the right to have materials advertising its products and services included in the envelopes containing the periodic statements. Such materials shall advertise only products and services related to the Business, shall (unless the Company provides the Bank with notice as provided below) be limited to seven panels per envelope and shall conform to size requirements established from time to time by the Bank with reasonable prior notice of any changes. The Company shall use reasonable efforts (i) to notify the Bank at least 15 days before the proposed date of any such inclusion and shall provide the Bank with a draft copy of any such advertising material at the time it notifies the Bank of such mailing and (ii) to provide the Bank with a seasonal marketing plan at least 30 days before the beginning date of each Season. The Company shall

provide the Bank with the materials to be included in the mailing not less than two Business Days prior to the initial insertion date. If the Company does not notify the Bank of any such inclusion at least seven days before the proposed date of such inclusion or if the material included does not take up the available space, the Bank may utilize the space remaining inside the envelopes for its own purposes; PROVIDED that (i) unless the Company provides the Bank with notice at least 45 days before the proposed inclusion date of the Company's intent to utilize more than seven panels per envelope, the Bank shall be entitled to utilize at least three panels (or two panels and one "bangtail" remittance envelope) per envelope for its own purposes and (ii) all materials included by the Bank shall be subject to the approval of the Company, which approval shall not be unreasonably withheld.

9.4.2. The Bank shall have the exclusive right to include in any mailing to Cardholders materials advertising products and services not related to the Business and the allocation between the Bank and the Company of the revenues generated thereby shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices; PROVIDED that such products and services and the related advertising materials shall be subject to the approval of the Company, which approval shall not be unreasonably withheld or delayed (it being understood that the Company may withhold such approval if it determines in its sole discretion that the advertising of such products or services is inconsistent with the image of the Business)

9.4.3. Notwithstanding the foregoing, (i) the Bank shall have the right to use its own "bangtail" remittance envelopes to promote credit life insurance to existing Cardholders no more than four times per year or two times per Season and (ii) all materials used, or sent to Cardholders, by the Bank under existing programs of the Bank (including, but not limited to, credit life insurance) shall not be subject to the approval of the Company.

9.4.4. The Bank shall provide timely specifications (including size and weight requirements) for all statement inserts, credit card carriers and "bangtail" remittance envelopes.

Section 10. INDEMNIFICATION; CLAIMS AND ACTIONS.

10.1. INDEMNIFICATION BY THE COMPANY. The Company hereby indemnifies the Bank, its Affiliates and the directors, officers, employees and agents of the Bank or any Affiliate of the Bank (each, a "RELATED PARTY") against, and agrees to hold them harmless from, any and all losses,

claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("DAMAGES") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by the Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of goods or rendering of services by the Company.

10.2. INDEMNIFICATION BY THE BANK. The Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by the Bank under this Agreement.

10.3. THIRD PARTY CLAIMS.

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

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

relating to goods purchased from the Company), even if the Company has been advised of the possibility of such claims.

10.4. DISPUTE RESOLUTION AND ACTIONS. The Bank and the Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 10.4.

10.5. LIMITATION ON ACTIONS. No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than one year after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

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

10.7. SURVIVAL. The provisions of this Section 10 shall survive the termination of this Agreement.

Section 11. TERMINATION.

11.1 TERM. This Agreement shall remain in effect until the tenth anniversary of the date hereof, shall be automatically extended until the twelfth anniversary of the date hereof if the Company does not give at least 12 months' prior written notice of its objection to such extension and shall be further automatically extended in successive two-year increments if the Bank or the Company does not give at least 12 months' prior written notice of its objection to such extension, unless earlier terminated (a) by the Bank or the Company in the event of a material breach by the other party of any of such other party's obligations under this Agreement if any such breach remains uncured 30 days after

written notice thereof to such party, (b) automatically in the event that the Bank or the Company commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereinafter in effect, seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its assets, consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or (c) by the Company upon not less than 60 days' prior written notice to the Bank at any time after the sixth anniversary of the date hereof if, based on the application of the attached matrix, the applicable discount rate exceeds the highest discount rate in such matrix and the costs to the Company under this Agreement are substantially higher than the costs that would be incurred by the Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; PROVIDED that the Company shall not be entitled to terminate this Agreement pursuant to clause (c) unless the Company provides the Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and is entitled to submit a counter-proposal within 30 days of receipt of such description. If the Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal or agrees to maintain the discount rate at the highest discount rate in the attached matrix, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in the Bank's counter-proposal. Subject to Section 11.2, the termination of this Agreement shall not affect the obligations of the Cardholders to the Bank, the obligation of the Company and the Bank to make the payments required under Section 4 with respect to Transactions that occurred before the date of termination, the rights of the Bank under Sections 4.4, 7.4 and 9.1 and the rights of the Company under Section 9.1. Sections 10, 11 and 12 of this Agreement shall survive any such termination.

11.2. EFFECT OF TERMINATION. (a) Upon termination of this Agreement, the Company will have the option to purchase the then-outstanding Credit Card account balances not previously written-off by the Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to the Bank, and will be provided with all related account information and other account data; PROVIDED that the Company will be required to purchase such then-outstanding Credit Card account balances on such terms if the Company objects to any

automatic extension of this Agreement pursuant to Section 11.1. All payments by the Company pursuant to this Section 11.2 shall be made not later than one Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by the Bank to the Company not less than two Business Days prior to the payment date. Upon any termination of this Agreement, (i) the Company (at its sole expense) shall notify all Cardholders that the Bank is no longer the processor of their Credit Card accounts and (ii) the Company and the Bank shall cooperate in facilitating the transition to a new processor.

(b) Upon receipt of any notice of termination from the Company, or delivery of any notice of termination by the Bank, the Bank shall divide all then-outstanding Credit Card receivables generated through the use of Credit Cards under the "Lerner" and "Lane Bryant" Marks into separate retail and mail order memo account balances based on the ratio of retail and mail order purchases by the relevant Cardholder during the 12 months preceding the month in which such notice is received or delivered by the Bank, as the case may be. During the period between the delivery of such notice and termination of this Agreement, purchases and returns through such Credit Cards shall be applied to the relevant account balance based upon the source of the relevant purchase and payments, finance charges and any other adjustments will be applied to the separate balances based upon mail order/retail account balance ratios of such accounts at the end of the preceding month. Upon termination of this Agreement, the Company will have the option to purchase the then-outstanding "Lerner" and "Lane Bryant" retail account balances in accordance with subsection (a) of this Section 11.2.

11.3. EXTENSION. Any services which the parties hereto mutually agree to be rendered after the termination of this Agreement shall be rendered pursuant to all of the terms and provisions of this Agreement.

Section 12. MISCELLANEOUS.

12.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given, if to the Company, to:

Lane Bryant, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

with a copy to:

The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

and a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attn: Dennis S. Hersch
Telecopy: 212-450-4800

and if to the Bank, to:

World Financial Network National Bank
4590 East Broad Street
Columbus, Ohio 43213
Attn: Daniel T. Groomes
Telecopy: 614-755-3418

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 12.1.

12.2. AMENDMENTS; NO WAIVERS.

12.2.1. Any provision of this Agreement may be amended only if such amendment is in writing and signed by all parties thereto.

12.2.2. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

12.3. EXPENSES. All costs and expenses incurred in connection with the this Agreement or the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

12.4. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; PROVIDED that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party. Notwithstanding the foregoing, (i) the Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of the Bank, provided that any such assignee of the Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to the Company, (ii) the Company shall assign or otherwise transfer all of its rights and obligations under this Agreement (A) to the purchaser of all or substantially all of the assets of the Business or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to the Company or any successor (whether by merger, consolidation or otherwise) thereto, in each case subject to the execution by such assignee or transferee of an agreement to be bound by the provisions of this Agreement and (iii) the Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against the Company for any reason whatsoever and (B) the Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser)

12.5. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the law of the State of New York (without regard to the choice of law provisions thereof)

12.6. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto or thereto shall have received a counterpart hereof signed by the other parties hereto.

12.7. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to such subject matter. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision thereof is intended to

confer upon any Person other than the parties any rights or remedies hereunder.

12.8. JURISDICTION. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated thereby may be brought against any of the parties in the United States District Court for the Southern District of New York or any state court sitting in the City of New York, Borough of Manhattan, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 12.1, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

12.9. CAPTIONS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

12.10. DEFINED TERMS. The following terms, as used herein, shall have the following meanings:

12.10.1. "AFFILIATE" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

12.10.2. "BUSINESS DAY" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Columbus, Ohio are authorized or required by law to close.

12.10.3. "PERSON" means an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

12.10.4. "SEASON" means (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first

day of the fiscal month of August to the last day of the fiscal month of January.

12.11. FORCE MAJEURE. Notwithstanding the provisions of Section 8.3, neither the Bank nor its affiliates shall be liable in any manner to the Company for any failure to perform their obligations under this Agreement resulting in any manner from delays failure in performance, loss or damage due to fire, strike, embargo, explosion, power blackout, earthquake, flood, war, the elements, labor disputes, civil or military authority, acts of God, public enemy, inability to secure fuel, acts or omissions of carriers or other causes beyond their reasonable control, whether or not similar to any of the foregoing (a "FORCE MAJEURE EVENT").

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

WORLD FINANCIAL NETWORK
NATIONAL BANK

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

LANE BRYANT, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

SIERRA NEVADA FACTORING, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

Exhibit 10.9

CREDIT CARD PROCESSING AGREEMENT

This Credit Card Processing Agreement is made as of this 31st day of January, 1996 between WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association (the "BANK"), and Henri Bendel, Inc., a Delaware corporation (the "CORPORATION"), and Western Factoring, Inc., a Nevada corporation ("FACTORING") (the Corporation and Factoring being collectively referred to herein as the "COMPANY").

WHEREAS the Company and the Bank believe that it is desirable and in their respective best interests for the Bank to continue, in a manner generally consistent with past practices, to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Company's Henri Bendel retail or catalogue business (the "BUSINESS") which will allow the customers of the Company to purchase goods from the Company using funds advanced by the Bank; and

WHEREAS in order to implement such arrangements, the parties hereto desire to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. TRADEMARKS. The Company hereby authorizes the Bank to use the trademark "Henri Bendel" on credit cards owned or issued by the Bank, monthly billing statements, collection correspondence, credit card agreements, credit applications, customer service correspondence and in such other written and oral communications with cardholders as are necessary or convenient in connection with this Agreement, in each case consistent with past practices. The "Henri Bendel" trademark is referred to herein as the "MARK". The Company shall have the right to approve in its sole discretion the "art" (including colors and font styles) for all proposed uses of the Mark by the Bank. The Bank shall not use the Mark for any purpose other than as set forth in the first sentence of this Section 1.

Section 2. CREDIT CARD SYSTEM.

2.1. NEW CREDIT CARDS.

2.1.1. ISSUANCE OF CREDIT CARDS. To the extent requested by the Company, the Bank will issue credit cards bearing the Mark ("CREDIT CARDS") to customers of the Business who apply for such Credit Cards and related extensions of credit. Such customers (i) must qualify for the extension of credit under credit standards related to

new account approvals, credit limits and authorization management ("CREDIT STANDARDS") which will be determined by the Bank from time to time and (ii) must accept the Bank's standard form of credit card agreement containing the terms and conditions governing extensions of credit to Persons who hold Credit Cards and their authorized users (attached hereto as Exhibit 2.1.1(a)). Notwithstanding the foregoing, (i) the Credit Standards established by the Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Business shall be consistent with past practices (as described in Exhibit 2.1.1(b)), with such changes as shall be (A) approved by the Company in its reasonable discretion or (B) determined by the Bank in good faith to be necessary from the standpoint of safe and sound banking practices and (ii) the Bank may make any change in the terms of its agreement with any person who holds a Credit Card (including repayment terms, fees and finance charge rates) after prior notice to and consultation with the Company. The Bank hereby confirms its understanding that the Company intends to offer and promote credit as outlined in Section 2.2. The Bank will bear the costs of the issuance of Credit Cards under this Section 2.1.

2.1.2. CREDIT MAXIMIZATION. The Company will be entitled to use credit related promotional strategies consistent with past practices. The Bank will work in good faith with the Company to develop business strategies with respect to the issuance of Credit Cards intended to maximize the potential of the Business and, in that regard, will consider in good faith proposals involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card; PROVIDED that subject to compliance with the provisions of Section 2.1.1, Credit Standards and the terms of such agreement shall in all circumstances be determined by the Bank. The terms of any program involving variances from the Bank's general Credit Standards or changes in the terms of the Bank's agreement with any person who holds a Credit Card, including (without limitation) fees or other charges to be paid by either party, shall be agreed on a program-by-program basis.

2.2. PROMOTION. The Company will use its reasonable efforts to promote the use of Credit Cards in the Business and to acquire new Cardholders (as defined below), for the Bank through the use of, for example, "instant credit," "quick credit," pre-approved solicitations, applications and promotional material displayed in stores and inserted in catalogues and special offers to Cardholders, in each case consistent with past practices. The costs incurred by the Company and the Bank (including, among other things, the cost of printing application forms, promotional material, pre-approved solicitations and instant

and quick credit contracts and the cost of special offers) will be borne by the Company and the Bank on terms to be negotiated from time to time in a manner consistent with past practices. The Bank shall have two Business Days to review for legal compliance all credit application forms and marketing materials (including, without limitation, those referred to above) prior to their being printed.

Section 3. ACCEPTANCE OF CREDIT CARDS. The Company will permit Persons who hold Credit Cards (subject to the restrictions of this Agreement) or other credit cards owned by the Bank that the Bank has designated and their authorized users ("CARDHOLDERS") to purchase goods sold by the Business without any cash payment by use of a Credit Card, subject to the following conditions:

3.1. CHARGE SLIP (CREDIT CARD PRESENTED). If the customer presents a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects the following:

3.1.1. A brief identification of the property or service purchased (the "TRANSACTION");

3.1.2. The date of the Transaction;

3.1.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.1.4. An imprint or electronic capture of the Credit Card account number or, in the event of equipment malfunction, a written notation of such account number; and

3.1.5. The Cardholder's signature.

3.2. CHARGE SLIP (CREDIT CARD NOT PRESENTED). The Bank acknowledges and agrees that a Cardholder need not present a Credit Card at the time of sale and that, subject to Section 3.5, the Company may accept charges to a Credit Card verbally from the customer or via a written order form from the customer. If the customer does not present a Credit Card at the time of sale, the Company will maintain a record of the sale in a form acceptable to the Bank which reflects, in lieu of the information set forth in Section 3.1.1 through 3.1.5, the following:

3.2.1. A brief identification of the Transaction;

3.2.2. The date of the Transaction;

3.2.3. The dollar amount of the purchase price of the merchandise or service which was the subject of the Transaction, including applicable shipping, handling and taxes;

3.2.4. A written notation of the Credit Card account number, which shall have been obtained from the customer and recorded in the Company's customer file;

3.2.5. The customer's name and address and, except in the case of catalogue purchases, personal identification type and number; and

3.2.6. If applicable, the name and address to where the merchandise which was the subject of the Transaction was shipped and the date and method of shipment.

3.3. RETENTION OF CHARGE SLIP. The Company will retain a legible copy of each charge slip for six months following the date of the Transaction and will provide such copy to the Bank within 30 days of the Bank's request therefor; PROVIDED that the Bank will request delivery of such information only in the case of a bona fide dispute (the existence of such dispute to be determined by the Bank in its reasonable discretion) relating to the underlying Transaction, upon the inquiry of the applicable Cardholder or as requested by auditors of the Bank in connection with their audit of the Bank's financial statements or by any governmental authority.

3.4. AUTHORIZATION. The Transaction is authorized by the Bank in accordance with the floor limits and other procedures in effect at the time or such authorization is dispensed with under rules established by the Bank from time to time in accordance with Section 8.3 to deal with situations in which authorization is not available because of disruption of the Bank's computer system or other causes provided for in such rules, consistent with past practice.

3.5. CHARGEBACKS. The Company agrees to accept as a chargeback any charge on a Credit Card where:

3.5.1. The Cardholder disputes the charge and the Company fails to provide a legible copy of the charge slip within 30 days of the Bank's request therefor in accordance with Section 3.3;

3.5.2. The Company failed to obtain authorization from the Bank in accordance with Section 3.4;

3.5.3. The Company failed to complete the charge slip in accordance with Section 3.1 or 3.2, as applicable;

3.5.4. A Company employee fraudulently misused the Credit Card or account number;

3.5.5. A dispute arises from the Cardholder being charged or credited more than once for the same sale, payment or return;

3.5.6. A dispute with the Cardholder arises from a voided Transaction or an invalid Credit Card account number;

3.5.7. A dispute with the Cardholder arises from an improperly opened Credit Card account, or the account is otherwise uncollectible, where a Company employee failed to comply with new account procedures in effect at the time the account was opened;

3.5.8. The Bank, consistent with past practices, gives the Cardholder credit for (or accepts as payment) a non-expired discount coupon or gift certificate in respect of a prior purchase; or

3.5.9. A dispute arises from the Company's failure properly to identify a catalogue purchaser as the Cardholder where such failure results in merchandise being shipped without the actual Cardholder's authorization.

The amount charged back with supporting detail will be invoiced to the Company weekly, and all required payments by the Company shall be made within 30 days after receipt of an invoice. If the Company pays the Bank any chargeback amount pursuant to this Section 3.5 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such chargeback from the Cardholder subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

Section 4. PAYMENT.

4.1. PAYMENT BY BANK.

4.1.1. The Bank will pay to the Company, as full consideration for any Transaction between the Company and any Cardholder using a Credit Card, as to which the Company has complied with the provisions of Section 3 above, the amount shown on the records of the Company for each Transaction, including all applicable shipping, handling and taxes, less a discount, which discount shall be equal to the discount rate determined in accordance with Section 4.1.5 (expressed as a fraction) multiplied by the amount shown on the records of the Company for each Transaction (exclusive of all applicable shipping, handling and taxes).

4.1.2. The Bank will pay such amount by transferring immediately available funds to an account designated by the Company at any bank to which the Bank may make electronic fund transfers before the end of the second Business Day following the receipt by the Bank of the information required by Section 3.1 or 3.2, such information to be properly formatted and edited and transferred via a telecommunications connection between the Company and the Bank pursuant to such computer programs and telecommunications protocols as the Bank may, in its reasonable discretion, designate from time to time, subject to reasonable prior notice. The Company will transmit (in the manner referred to above) to the Bank an audited and balanced file in the format specified by the Bank containing all such information within two Business Days after the occurrence of the underlying Transaction; PROVIDED that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, the Company will transmit such information relating to such store locations as soon as reasonably practicable after polling is completed.

4.1.3. The Company may not attempt to collect any amount from any Cardholder with respect to a Transaction which has been paid for by the Bank under this Section 4.1 and not charged back to the Company pursuant to Section 3.5.

4.1.4. The Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Cards ("IN-STORE PAYMENTS"). Any In-Store Payments received by the Company will be held in trust for the Bank and its assigns and netted against amounts payable by the Bank pursuant to Section 4.1.1 (PROVIDED that the Company shall not be required to keep In-Store Payments separate from other payments received by the Company) and evidence of such payments will be transmitted to the Bank on a daily basis in accordance with the procedures set forth in Section 4.1.2. Notwithstanding the foregoing:

(a) if any bankruptcy or other insolvency proceeding has been commenced against the Company (and so long as the same has not been dismissed), the Company shall promptly comply with any written instruction (a "STORE PAYMENT NOTICE") received by the Company from the Bank or any successor to the Bank as "Servicer" under the Pooling and Servicing Agreement referred to below (the Bank or any such successor being the "SERVICER") to take either of the following actions (as specified in such instruction):

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

Pooling and Servicing Agreement to give such notice) or

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

PROVIDED that the Company need not take the actions specified in clause (i) or clause (ii) if the Company or any of its affiliates provides the Servicer or the Trustee under (and as defined in) the Pooling and Servicing Agreement with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all conditions specified in the Pooling and Servicing Agreement with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(b) if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, In-Store Payments shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this clause (b) and Section 4.2 is less than $10,000, by check), not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as the Company complies with instructions delivered in accordance with paragraph (a) or (b), any amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for In-Store Payments.

For purposes of the foregoing, the "POOLING AND SERVICING AGREEMENT" means the Pooling and Servicing Agreement dated as of January 17, 1996 among the Bank and The Bank of New York, as trustee, including each Supplement thereunder, as the same may be amended, supplemented or otherwise modified from time to time, except that no amendment, supplement or other modification to such Agreement that affects the circumstances in which the Company may be required to take the actions referred to in

paragraph (a) or (b) above or in Section 4.2.3 shall be given effect for purposes of this Agreement unless consented to by the Company.

4.1.5. DISCOUNT RATE. The applicable discount rate referred to in Section 4.1.1 shall be the then applicable discount rate determined in accordance with the matrix set forth in Exhibit 4.1.5; PROVIDED that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by the Bank to Cardholders, the Company and the Bank agree to negotiate in good faith an increase in the discount rate.

4.2. PAYMENT BY COMPANY. If the Bank has paid the Company for any Transaction and

4.2.1 If:

(a) the representations and warranties of the Company with respect to such Transaction, as set forth in Sections 5.1 through 5.3 below, are not true in all material respects; or

(b) any merchandise which was the subject of such Transaction is returned to the Company and the Company, pursuant to its policies concerning returned merchandise, accepts such merchandise for credit; or

(c) in order to settle a dispute concerning the nature, quality or quantity of goods purchased from the Company with the Credit Card, the Company agrees to refund all or part of the purchase price thereof; then

4.2.2. The Company:

(a) shall pay the Bank an amount equal to the face amount of such Transaction or portion thereof refunded to the customer, less any discount actually taken by the Bank when it made payment to the Company in consideration for such Transaction pursuant to Section 4.1.1;

(b) shall create a written memorandum of such Transaction setting forth the information required by Section 3 above (a "CREDIT MEMORANDUM")

(c) shall transmit the information contained in such Credit Memorandum to the Bank by the method of electronic transmission referred to in Section 4.1.2 above; and

(d) subject to Section 4.2.3, shall permit the payment required by this Section 4.2 to be netted against amounts payable by the Bank pursuant to Section 4.1.1. The

Company shall retain any such Credit Memorandum in the same manner and for the same time as the charge slip referred to in Section 3.3 and shall promptly deliver any such Credit Memorandum to the Bank upon its request. If the Company pays the Bank any amount for a Transaction pursuant to this Section 4.2 or if such payment is netted against amounts payable by the Bank pursuant to Section 4.1.1, any remittances relating to such Transaction from the customer subsequently collected by the Bank shall, to the extent not refunded to the Cardholder, be credited by the Bank to the Company.

4.2.3. Notwithstanding clause (d) of Section 4.2.2, if and to the extent that the Bank so requests in writing at a time when the Bank is required by the Pooling and Servicing Agreement to make such request, amounts payable by the Company pursuant to Section 4.2 ("ADJUSTMENT PAYMENTS") shall no longer be netted against amounts payable by the Bank pursuant to Section 4.1.1, but instead the Company shall transfer the amount of each Adjustment Payment to the Bank by wire transfer of immediately available funds (or, if the aggregate amount to be transferred pursuant to this Section 4.2 and clause (b) of Section 4.1.4 is less than $10,000, by check), not later than the second Business Day following the date on which the events giving risk to such Adjustment Payment occur (and amounts payable by the Bank pursuant to Section 4.1.1 shall be made without deduction for Adjustment Payments).

4.3. OTHER FEES.

4.3.1. DEFERRED PAYMENT. If any Transaction between the Company and any Cardholder using a Credit Card is consummated on a deferred payment basis (for which the period of deferral may not exceed 90 days), then for each month during the period of deferral, the Company will pay the Bank an amount equal to the Deferred Payment Rate for such month multiplied by the average daily balance of purchase price so deferred during such month. For purposes of this Section 4.3, "DEFERRED PAYMENT RATE" means, for any month, (i) if the debt of the Bank has an implied investment grade rating at all times during such month, the average interest rate paid by the Bank to obtain funds during such month, and (ii) if the debt of the Bank does not have an implied investment grade rating at all times during such month, the then-current reference rate or index maintained or provided by a nationally recognized investment banking firm (which firm shall be reasonably acceptable to the Company and the Bank) in respect of issuers whose debt has the lowest investment grade rating.

4.3.2. POSTAL RATE ADJUSTMENT. The Company agrees to reimburse the Bank for any costs incurred by the

Bank as a result of changes in postal rates or rules applicable to mailings to Cardholders after the date hereof; PROVIDED that the postal costs and postal discounts applicable to mailings to Cardholders shall be no less favorable than the postal costs and postal discounts applicable to comparable mailings to holders of any other credit cards issued by the Bank. The Bank and the Company agree to use their reasonable efforts to minimize postal costs and maximize postal discounts.

4.3.3. SPECIAL PROJECTS. With respect to special services provided by the Bank from time to time with respect to the Business (including, without limitation, consulting, surveys, gift certificate calls and fulfillment, rebate fulfillment, telemarketing and special processing or accounting reports required in connection with promotional activities), the Company will pay to the Bank amounts to be agreed on a program-by-program basis. To the extent not otherwise provided for in this Agreement, (i) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $1,000 without having first obtained prior written or oral authorization from the Company for such expenses; and (ii) the Bank shall not incur expenses required to be paid or reimbursed by the Company for any project in amounts in excess of $50,000 without having first obtained prior written authorization from the Company for such expenses; PROVIDED that, in the event any terms of any such written authorization are in conflict with the terms of this Agreement, the terms of this Agreement shall be controlling.

4.3.4. PAYMENTS. All amounts payable by the Company under this Section 4.3 shall be paid by wire transfer of immediately available funds within 30 days after receipt of an invoice for such amounts.

4.4. SETOFFS. The Bank may at any time, in addition to all other rights and remedies available to it, setoff against any amount owing to the Company by the Bank under this Agreement, any amounts owing by the Company to the Bank under this Agreement.

4.5. INVOICE. The amount of any invoice prepared and delivered by the Bank under this Agreement shall be deemed to be correct, accurate and binding upon the Company if the Company makes no objection within 30 days after the date of such invoice; PROVIDED that the making of any objection shall not relieve the Company of its obligation to make full payment of the amount set forth on the related invoice when such amount is otherwise payable pursuant to this Section 4, it being understood that the Company does not waive its rights thereby and may, subject to Section

10.4, assert a claim with respect to such invoice in an appropriate proceeding.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Bank that:

5.1. VALID TRANSACTIONS. Each Transaction will be completed in compliance with the provisions of Section 3 and will create a valid, binding and legally enforceable obligation of the Cardholder whose name is shown on the Credit Card to pay to the Company the amount shown on the charge slip, which obligation to the Company will be discharged in full by the payment made to the Company by the Bank in respect of such Transaction under Section 4.1 above.

5.2. ACCURATE INFORMATION. Each charge slip will accurately reflect the Transaction described therein. Each charge slip and Credit Memorandum and any charge slip or Credit Memorandum information transmitted to the Bank by the Company will be complete and accurate and in a form deemed necessary by the Bank to allow Cardholder billing in accordance with applicable law. The Company will accurately report all returns and other credits to the Bank within the time period specified in Section 4.

5.3. NO LIENS. No amount due to the Company with respect to any Transaction will be subject to any lien or encumbrance in favor of any third party or to any offset, counterclaim or defense of any Person other than the Bank or its Affiliates.

5.4. MARK. The use of the Mark by the Bank under this Agreement does not infringe the rights of any other Person.

Section 6. REPRESENTATIONS AND WARRANTIES OF THE BANK. The Bank hereby represents and warrants to the Company that:

6.1. COMPLIANCE WITH LAWS. Each Credit Card and the related credit card agreement, all monthly billing statements and any collection efforts of the Bank conform and will conform in all material respects with all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws ("CONSUMER LAWS")

6.2 NON-CONTRAVENTION. The performance by the Bank of its obligations under this Agreement will not

conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any agreement or instrument to which the Bank is party or by which the Bank is bound, nor will such performance result in any violation of the provisions of the articles of association or the by-laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

Section 7. COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with the Bank as follows:

7.1. CREDIT CARD NOTICES AND COMMUNICATIONS. The Company will, consistent with past practices, accept and turn over to the Bank promptly upon receipt thereof by the Company (i) subject to Section 4.1.4, any payments made by any Cardholder with respect to any Transaction or any Credit Card and (ii) any notices or other communications received by the Company with respect to any Credit Card including, without limitation, customer changes of address and other information on approved forms.

7.2. COMPLIANCE WITH APPLICABLE LAW. The Company will, at all times, comply in all material respects with all Consumer Laws.

7.3. RULES. The Company shall comply with such written rules and operating instructions relating to the use of the Credit Cards, the distribution of applications, Credit Card security, authorization procedures, "downtime" procedures and other matters related to this Agreement as the Bank may, from time to time, promulgate with prior notice to the Company; PROVIDED that such rules and operating instructions shall be consistent with past practices, with such changes as shall be approved by the Company in its reasonable discretion.

7.4. CARDHOLDER INQUIRIES AND COMPLAINTS. If a Cardholder makes an inquiry or complaint to the Company about the nature, quality or quantity of goods purchased from the Company with a Credit Card, or a Cardholder has made an inquiry or complaint to the Bank concerning the nature, quality or quantity of goods purchased from the Company with a Credit Card, the Company shall deal directly with the Cardholder to resolve any such complaint or inquiry. The Company shall answer all inquiries from the Bank about complaints made to the Bank by Cardholders within 10 days after the Company receives an inquiry from the Bank.

7.5. EQUIPMENT. The Company shall obtain and maintain at its own expense such point of sale and authorization terminals, credit card imprinters and other

items of equipment as are necessary for it to receive authorizations, transmit charge slip and Credit Memorandum information, process credit applications and perform its obligations under this Agreement. Such point of sale and authorization terminals shall be capable of communicating with the computer equipment maintained by the Bank according to such computer programs and telecommunications protocols as may be specified by the Bank in its reasonable discretion from time to time subject to reasonable prior notice of any change in such equipment or protocols.

7.6. EXCLUSIVITY. The Company may not accept or promote any credit card as payment for its goods or services unless such credit card is a Credit Card, a proprietary credit card of another division of the Company or any Affiliate of the Company (whether or not issued by the Bank) or a credit card issued by a bank or other Person engaged in the business of issuing credit cards to Persons for the purpose of making payments to third parties generally under such names as Master Card, Visa, Discover, American Express or Optima. The Company may not issue its own credit cards or enter into an agreement with any third party under which credit cards bearing the Mark are issued; PROVIDED that after the second anniversary of the date hereof, the Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark and to accept any Bona Fide Offer by such third party if, at least 30 days prior to accepting such Bona Fide Offer, the Company provides the Bank with an opportunity to submit a competing offer with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark, which competing offer, if it has terms at least as favorable to the Company as such Bona Fide Offer, shall be accepted by the Company in lieu of such Bona Fide Offer. For purposes of this Section 7.6, "BONA FIDE OFFER" means an offer to the Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in the Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to the Company, its Affiliates and other retail or catalogue merchants)

7.7. OBSOLETE MATERIALS. The Company shall reimburse the Bank for the cost of replacing reasonable amounts of obsolete forms and other materials if such replacement is requested by the Company due to changes in the Mark or in the logo, colors or styles used to identify or promote the Business.

Section 8. COVENANTS OF THE BANK. The Bank hereby covenants and agrees with the Company as follows:

8.1. COMPLIANCE WITH APPLICABLE LAW. The Bank will, in issuing, billing, administering, and collecting with respect to the Credit Cards and at all other times, comply in all material respects with all Consumer Laws.

8.2. COLLECTION. The Bank will use efforts to collect from each Cardholder the purchase price and additional taxes and other charges of Transactions consistent with past practices and with its efforts to collect accounts receivable under other credit cards issued by it; PROVIDED that the Bank will initiate collection of any account receivable under a Credit Card at or before the time such account receivable is 60 days past due. The Bank will, consistent with past practices, determine the use and timing of dunning letters, statement messages and collection agents and will manage all written-off accounts (including, without limitation, the management of outside collection agencies). The Bank may implement reasonable variances from past collection practices after prior notice to and consultation with the Company.

8.3. PERFORMANCE STANDARDS. In performing its obligations under this Agreement, subject to Section 12.11, the Bank shall comply with the performance standards set forth in Exhibit 8.3, as such performance standards may be modified from time to time at the reasonable request of the Bank or the Company. Within 10 days after the end of each fiscal month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards. Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

8.4. FORCE MAJEURE EVENT. After the occurrence of a Force Majeure Event (as defined in Section 12.11) which disrupts the availability of the services provided hereunder, the Bank may elect to reestablish the availability of such services. If any such Force Majeure Event comparably disrupts the performance of services similar to the services provided hereunder with respect to one or more other credit cards issued by the Bank, then the Bank shall reestablish the availability of such services to the same extent and within the same timetable under

comparable circumstances as the comparable services are reestablished with respect to such other credit cards. The Bank shall promptly notify the Company of any Force Majeure Event and shall inform the Company whether it will reestablish services and the timetable therefor. If the Bank chooses not to reestablish or take measures to reestablish such services within a reasonable period of time as would be indicated by sound business practice, the Company shall be free to obtain such services from any supplier thereof.

Section 9. PROPERTY RIGHTS.

9.1. RIGHTS OF THE COMPANY. The Company is the owner of the names and addresses of customers of the Business; PROVIDED that (i) as set forth in Section 9.2, the Bank is also the owner of such information with respect to customers of the Business who are also Cardholders and (ii) The Limited, Inc. ("THE LIMITED") is also the owner of such information with respect to customers of the Business until the second anniversary of the date, if any, on which the Company ceases to be an Affiliate of The Limited.

9.2. RIGHTS OF BANK. Except as set forth in Section 9.1, the Bank is the owner of all information relating to the Cardholders (including names and addresses) and the Credit Cards, the copyright to all written material contained in any credit card agreements, applications, billing statements and other forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; PROVIDED that the Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of the Company, (ii) Persons who, in the sole judgment of The Limited, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates and (iii) in the case of disclosure, credit agencies. Subject to Section 9.3, the Company will not have any rights in any information or property of the Bank; PROVIDED that the Bank will provide the Company with such information the Bank owns with respect to Cardholders as the Company may reasonably request in order to develop potential marketing or credit strategies.

9.3. DATABASE. (a) It is the intention of the parties that the Bank will manage, maintain and develop an information marketing database (the "DATABASE") at its own expense, subject to a mutually satisfactory agreement with the Company pursuant to which (i) the Company will agree to utilize the Database, (ii) the Database will be accessible from the Company's offices and (iii) the Bank will provide

the Company with information maintained as part of the Database on terms that are no less favorable than those offered by the Bank to any other recipient of comparable information.

(b) Notwithstanding the foregoing, the Bank will, from time to time at the request of the Company, and without charge, promptly provide the Company with a list of the names and addresses of all Cardholders, all holders of other proprietary credit cards of the Company or any Affiliate of the Company (if issued by the Bank) and all other customers of the Business, any other business of the Company and the business of any other Affiliate of the Company. The Company shall reimburse the Bank for its costs of producing and shipping such list in the format required by the Company within 30 days after receipt of a request for such reimbursement from the Bank.

(c) Subject to Section 9.2, the Bank may make the Database available, and provide information marketing services to, third parties on terms reasonably determined by the Bank; PROVIDED that (i) the allocation among the Bank, the Company and The Limited of fees charged by the Bank to such third parties shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices and (ii) the Bank may not make the Database available, or provide information marketing services to, any Person who, in the sole judgment of The Limited, competes, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates.

9.4. ENVELOPE STUFFING.

9.4.1. Subject to the right of the Bank to include in mailings to Cardholders periodic billing statements and any legal notices which the Bank believes are necessary or appropriate to send to Cardholders, the Company shall have the right to have materials advertising its products and services included in the envelopes containing the periodic statements. Such materials shall advertise only products and services related to the Business, shall (unless the Company provides the Bank with notice as provided below) be limited to seven panels per envelope and shall conform to size requirements established from time to time by the Bank with reasonable prior notice of any changes. The Company shall use reasonable efforts (i) to notify the Bank at least 15 days before the proposed date of any such inclusion and shall provide the Bank with a draft copy of any such advertising material at the time it notifies the Bank of such mailing and (ii) to provide the Bank with a seasonal marketing plan at least 30 days before the beginning date of each Season. The Company shall

provide the Bank with the materials to be included in the mailing not less than two Business Days prior to the initial insertion date. If the Company does not notify the Bank of any such inclusion at least seven days before the proposed date of such inclusion or if the material included does not take up the available space, the Bank may utilize the space remaining inside the envelopes for its own purposes; PROVIDED that (i) unless the Company provides the Bank with notice at least 45 days before the proposed inclusion date of the Company's intent to utilize more than seven panels per envelope, the Bank shall be entitled to utilize at least three panels (or two panels and one "bangtail" remittance envelope) per envelope for its own purposes and (ii) all materials included by the Bank shall be subject to the approval of the Company, which approval shall not be unreasonably withheld.

9.4.2. The Bank shall have the exclusive right to include in any mailing to Cardholders materials advertising products and services not related to the Business and the allocation between the Bank and the Company of the revenues generated thereby shall be agreed on a program-by-program basis or, in the case of programs existing on the date hereof, continued consistent with past practices; PROVIDED that such products and services and the related advertising materials shall be subject to the approval of the Company, which approval shall not be unreasonably withheld or delayed (it being understood that the Company may withhold such approval if it determines in its sole discretion that the advertising of such products or services is inconsistent with the image of the Business).

9.4.3. Notwithstanding the foregoing, (i) the Bank shall have the right to use its own "bangtail" remittance envelopes to promote credit life insurance to existing Cardholders no more than four times per year or two times per Season and (ii) all materials used, or sent to Cardholders, by the Bank under existing programs of the Bank (including, but not limited to, credit life insurance) shall not be subject to the approval of the Company.

9.4.4. The Bank shall provide timely specifications (including size and weight requirements) for all statement inserts, credit card carriers and "bangtail" remittance envelopes.

Section 10. INDEMNIFICATION; CLAIMS AND ACTIONS.

10.1. INDEMNIFICATION BY THE COMPANY. The Company hereby indemnifies the Bank, its Affiliates and the directors, officers, employees and agents of the Bank or any Affiliate of the Bank (each, a "RELATED PARTY") against, and agrees to hold them harmless from, any and all losses,

claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("DAMAGES") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by the Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of goods or rendering of services by the Company.

10.2. INDEMNIFICATION BY THE BANK. The Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by the Bank under this Agreement.

10.3. THIRD PARTY CLAIMS.

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

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

relating to goods purchased from the Company), even if the Company has been advised of the possibility of such claims.

10.4. DISPUTE RESOLUTION AND ACTIONS. The Bank and the Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 10.4.

10.5. LIMITATION ON ACTIONS. No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than one year after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

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

10.7. SURVIVAL. The provisions of this Section 10 shall survive the termination of this Agreement.

Section 11. TERMINATION.

11.1 TERM. This Agreement shall remain in effect until the tenth anniversary of the date hereof, shall be automatically extended until the twelfth anniversary of the date hereof if the Company does not give at least 12 months' prior written notice of its objection to such extension and shall be further automatically extended in successive two-year increments if the Bank or the Company does not give at least 12 months' prior written notice of its objection to such extension, unless earlier terminated (a) by the Bank or the Company in the event of a material breach by the other party of any of such other party's obligations under this Agreement if any such breach remains uncured 30 days after

written notice thereof to such party, (b) automatically in the event that the Bank or the Company commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereinafter in effect, seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its assets, consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or (c) by the Company upon not less than 60 days' prior written notice to the Bank at any time after the sixth anniversary of the date hereof if, based on the application of the attached matrix, the applicable discount rate exceeds the highest discount rate in such matrix and the costs to the Company under this Agreement are substantially higher than the costs that would be incurred by the Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; PROVIDED that the Company shall not be entitled to terminate this Agreement pursuant to clause (c) unless the Company provides the Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and is entitled to submit a counter-proposal within 30 days of receipt of such description. If the Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal or agrees to maintain the discount rate at the highest discount rate in the attached matrix, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in the Bank's counter-proposal. Subject to Section 11.2, the termination of this Agreement shall not affect the obligations of the Cardholders to the Bank, the obligation of the Company and the Bank to make the payments required under Section 4 with respect to Transactions that occurred before the date of termination, the rights of the Bank under Sections 4.4, 7.4 and 9.1 and the rights of the Company under Section 9.1. Sections 10, 11 and 12 of this Agreement shall survive any such termination.

11.2. EFFECT OF TERMINATION. Upon termination of this Agreement, the Company will have the option to purchase the then-outstanding Credit Card account balances not previously written-off by the Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to the Bank, and will be provided with all related account information and other account data; PROVIDED that the Company will be required to purchase such then-outstanding Credit Card account balances on such terms if the Company objects to any automatic

extension of this Agreement pursuant to Section 11.1. All payments by the Company pursuant to this Section 11.2 shall be made not later than one Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by the Bank to the Company not less than two Business Days prior to the payment date. Upon any termination of this Agreement, (i) the Company (at its sole expense) shall notify all Cardholders that the Bank is no longer the processor of their Credit Card accounts and (ii) the Company and the Bank shall cooperate in facilitating the transition to a new processor.

11.3. EXTENSION. Any services which the parties hereto mutually agree to be rendered after the termination of this Agreement shall be rendered pursuant to all of the terms and provisions of this Agreement.

Section 12. MISCELLANEOUS.

12.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given, if to the Company, to:

Henri Bendel, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

with a copy to:

The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: General Counsel
Telecopy: 614-479-7188

and a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attn: Dennis S. Hersch
Telecopy: 212-450-4800

and if to the Bank, to:

World Financial Network National Bank
4590 East Broad Street
Columbus, Ohio 43213
Attn: Daniel T. Groomes
Telecopy: 614-755-3418

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 12.1.

12.2. AMENDMENTS; NO WAIVERS.

12.2.1. Any provision of this Agreement may be amended only if such amendment is in writing and signed by all parties thereto.

12.2.2. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

12.3. EXPENSES. All costs and expenses incurred in connection with the this Agreement or the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

12.4. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; PROVIDED that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party. Notwithstanding the foregoing, (i) the Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of the Bank, provided that any such assignee of the Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to the Company, (ii) the Company shall assign or otherwise transfer all of its rights and obligations under this Agreement (A) to the purchaser of all or substantially all of the assets of the Business or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to the Company or any successor (whether by merger, consolidation or otherwise) thereto, in each case subject to the execution by such assignee or transferee of an agreement to be bound by the provisions of this Agreement and (iii) the Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing

obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against the Company for any reason whatsoever and (B) the Bank hereby indemnifies the Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser)

12.5. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the law of the State of New York (without regard to the choice of law provisions thereof)

12.6. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party here to or there to shall have received a counterpart hereof signed by the other parties hereto.

12.7. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to such subject matter. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision thereof is intended to confer upon any Person other than the parties any rights or remedies hereunder.

12.8. JURISDICTION. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated thereby may be brought against any of the parties in the United States District Court for the Southern District of New York or any state court sitting in the City of New York, Borough of Manhattan, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 12.1, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

12.9. CAPTIONS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

12.10. DEFINED TERMS. The following terms, as used herein, shall have the following meanings:

12.10.1. "AFFILIATE" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

12.10.2. "BUSINESS DAY" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Columbus, Ohio are authorized or required by law to close.

12.10.3. "PERSON" means an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

12.10.4. "SEASON" means (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January.

12.11. FORCE MAJEURE. Notwithstanding the provisions of Section 8.3, neither the Bank nor its affiliates shall be liable in any manner to the Company for any failure to perform their obligations under this Agreement resulting in any manner from delay, failure in performance, loss or damage due to fire, strike, embargo, explosion, power blackout, earthquake, flood, war, the elements, labor disputes, civil or military authority, acts of God, public enemy, inability to secure fuel, acts or omissions of carriers or other causes beyond their reasonable control, whether or not similar to any of the foregoing (a "FORCE MAJEURE EVENT")

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective on the day and year first above written.

WORLD FINANCIAL NETWORK
NATIONAL BANK

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

HENRI BENDEL INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

WESTERN FACTORING, INC.

By: /s/ Timothy B. Lyons

Name: Timothy B. Lyons
Title:

AMENDMENT TO CREDIT CARD PROCESSING AGREEMENT

This Amendment is to that certain Credit Card Processing Agreement (the "Agreement") between World Financial Network National Bank, ("Bank"), Henri Bendel, Inc. (the "Corporation"), and Western Factoring, Inc. ("Factoring") (the Corporation and Factoring being collectively referred to as the "Company") dated January 31, 1996.

****

WHEREAS, Bank, the Corporation and Factoring entered into the Agreement on January 31, 1996; and

WHEREAS, the Corporation has entered into a separate agreement with Schotenstein Bernstein Capital Group ("SBCG"), pursuant to which SBCG will operate the Henri Bendel Chicago store from April 5, 1998 through August 31, 1998; and

WHEREAS, the Corporation desires to permit SBCG to accept Credit Cards from Cardholders in the Henri Bendel Chicago store; and

WHEREAS, Bank, the Corporation and Factoring now desire to amend the Agreement as set forth herein;

NOW, THEREFORE, Bank, the Corporation and Factoring hereby agree as follows:

1. The Agreement is hereby amended by addition of the following new Section 13.

Section 13. OPERATION OF CHICAGO STORE.

13.1 ACCEPTANCE OF CREDIT CARDS. Pursuant to a separate agreement between the Corporation and SBCG, SBCG shall operate the Henri Bendel Chicago store from April 5, 1998 through August 31, 1998. SBCG shall be permitted to accept Credit Cards from Cardholders to purchase goods sold by the Business or by SBCG at the Chicago location, subject to all of the terms and conditions set forth in the Agreement, including without limitation Section 3. The Company shall ensure that all of the terms and conditions of this Agreement are met with respect to any Credit Card transactions accepted by SBCG and shall continue to be liable for the performance of all of its obligations pursuant to the Agreement. The Company will continue to operate the point of sale credit system located at the Henri Bendel Chicago store and will continue to make daily transmissions to Bank. Bank shall continue to make payments to the Company pursuant to the Agreement and shall have no obligation to make any payments to SBCG. The Company shall make separate settlements with SBCG pursuant to a separate agreement between SBCG and the Company. The Company shall ensure SBCG's compliance with all Consumer Laws and the Bank's rules and operating instructions relating to the use of the Credit Cards, distribution of applications, Credit Card security, authorization procedures and "downtime" procedures. The Company shall be responsible for all Cardholder inquiries and complaints related to SBCG or the goods or services purchased from SBCG.

13.2 INDEMNIFICATION. The Company hereby indemnifies the Bank, its Affiliates and the directors, officers, employees and agents of the Bank or any Affiliate of the Bank against, and agrees to hold them harmless from, any and all losses, claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) incurred or suffered by any of them arising out of or in any way related to any acts or omissions of SBCG in connection with SBCG's acceptance of the Credit Cards or its operation of the Henri Bendel Chicago store. The provisions of this subsection 13.2 shall survive the termination of the Agreement.

2. The Effective Date of this Amendment shall be May 13, 1998.

3. As hereby amended and supplemented, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment the dates set forth below.

World Financial Network National Bank

By: /s/ Daniel T. Groomes

Daniel T. Groomes, President

Date: 5/13/98

Henri Bendel, Inc.

By: /s/ Husein Jafferjee

Title: Vice President and CFO

Date: 5/18/98

Western Factoring, Inc.

By: /s/ Timothy Lyons

Title: VP

Date: 6/1/98

Exhibit 10.54

CONSUMER MARKETING DATABASE SERVICES AGREEMENT

AMONG

ADS ALLIANCE DATA SYSTEMS, INC.,

INTIMATE BRANDS, INC.

AND

THE LIMITED, INC.

DATED AS OF SEPTEMBER 1, 2000

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CONSUMER MARKETING DATABASE SERVICES AGREEMENT

THIS CONSUMER MARKETING DATABASE SERVICES AGREEMENT is made as of this 1st day of September, 2000 among ADS Alliance Data Systems, Inc., with an office at 800 TechCenter Drive, Gahanna, Ohio 43230 (hereinafter referred to as "ADS"), Intimate Brands, Inc., with its principal office at Three Limited Parkway, Columbus, Ohio 43230 (hereinafter referred to as "IBI"), and The Limited, Inc., with its principal office at Three Limited Parkway, Columbus, Ohio 43230 ("TLI" and, together with IBI, the "TLI Entities").

WITNESSETH:

WHEREAS, TLI has requested ADS to perform certain marketing database services for TLI; and

WHEREAS, ADS has agreed to perform such database services subject to the terms and conditions as more fully set forth herein;

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

SECTION 1. DEFINITIONS

1.1 CERTAIN DEFINITIONS. As used herein and unless otherwise required by the context, the following terms shall have the following respective meanings.

"ADS Data" shall mean data provided by ADS to the Main Data Warehouse which is owned by or licensed to ADS and/or its affiliates (other than TLI Data). Such data may be of any Data Type.

"Affiliate" means any wholly-owned subsidiary or parent company of ADS, TLI or IBI, or any other entity of which a majority is owned by ADS, TLI, IBI or by the same entity owning ADS, TLI or IBI.

"Agreement" shall mean this Consumer Marketing Database Services Agreement, including all Schedules hereto, and any future amendments or supplements thereto.

"Applicable Law" shall mean any applicable federal, state or local law, rule, regulation, administrative interpretation, order, writ, injunction, directive, judgment or decree.

"Base Fee" shall have the meaning set forth in Schedule C hereto.

"Business Day" shall mean any day, except Saturday, Sunday, New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day or Christmas Day.

"CASS" shall mean the Coding Accuracy Support System as defined by the United States Postal Service.

"Catalog" shall mean the catalog operations of any Subsidiary of either of the TLI Entities.

"Contract Year" shall mean the consecutive one-year periods during the Term commencing on the Effective Date of this Agreement.

"Customer" shall mean any individual who is a retail customer of a TLI Store or a Catalog.

"Data" shall mean the ADS Data and the TLI Data.

"Database System" shall mean the information database system operated by or on behalf of ADS, including but not limited to hardware, software and other equipment.

"Data Mart" shall mean an application database created by ADS and used for direct marketing analysis or segmentation selections.

"Data Type" shall mean any one or all of the following three types of data:

CONSUMER DATA consists of information related to identifying and maintaining accurate descriptions of consumers on the database. Consumer Data is gained from a variety of sources, including without limitation from ADS with respect to WFN's proprietary credit cardholders, ADS or either TLI Entity and/or their Subsidiaries purchasing identifying information from third parties, or either TLI Entity and/or their Subsidiaries receiving information directly from Customers. The primary element of Consumer Data is name and address information, from which data elements from all Data Types are keyed. Other Consumer Data elements include without limitation credit card account information from proprietary or general-purpose card accounts, proprietary account status, consumer responses to opinion surveys, and demographic or psychographic information, which is usually licensed from third-party vendors.

TRANSACTION DATA consists of information gained from purchase and/or return transactions from the point of sale, as well as accompanying information related to the retail, catalogue or web transactions of the offering division or company. Transaction Data consists of details about the items purchased or returned, price paid, discounts, or ring-coded coupons used in the transaction, as well as other related information regarding the organization of the brand, division, company, and geography of the region, district and store of the transaction.

CONTACT DATA consists of information used to measure, manage, and control the results of direct marketing campaigns and other consumer contacts. Contact Data consists of campaign control information such as direct mail drop dates and tape specifications,

consumer names and segments selected for contact, and response records of those consumers who responded to individual contacts.

"Effective Date" shall mean September 1, 2000.

"Goods and Services" shall mean those certain products and/or services sold by either TLI Entity and/or their Subsidiaries or a TLI Store to Customers and shall not include any credit or other financial products, such as credit cards or insurance products.

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

"Main Data Warehouse" shall mean the central repository where all Data is assembled, manipulated and maintained.

"Operating Procedures" shall mean those written procedures mutually agreed to by ADS, TLI and IBI, as the same may be modified from time to time by written instrument executed by ADS, TLI and IBI.

"Retail Point of Sale System" shall mean the equipment and processes used by either TLI Entity, its Subsidiary, licensee or franchisee to record a purchase transaction when a Customer buys Goods and Services at a TLI Store.

"Renewal Term" shall mean each one (1) year renewal term of this Agreement following the completion of the initial three (3) year term hereof.

"Services" shall mean those marketing database services set forth in Schedule A hereto.

"Subsidiaries" shall mean Bath & Body Works, Inc., Victoria's Secret Stores, Inc., Lerner New York, Inc., Lane Bryant, Inc., Express, LLC, The Limited Stores, Inc. and Structure, Inc.

"Term" shall mean the Initial Term and any and all Renewal Terms as defined in Section 9.1 of this Agreement.

"TLI Data" shall mean data provided to ADS under this Agreement by either TLI Entity and/or their Subsidiaries which is owned by or licensed to such entity. Such data may be of any Data Type and shall include, but not be limited to, the data collected by TLI, IBI, their Subsidiaries and all TLI Stores during a Transaction.

"TLI's Stores" shall mean those certain retail locations selling Goods and Services of either TLI Entity or its Subsidiaries which are owned and operated by either TLI Entity or which are franchisees of either TLI Entity or the Subsidiaries, including, Bath & Body Works, Victoria's Secret Stores, Lerner New York, Lane Bryant, Express, The Limited, and Structure stores.

"Transaction" shall mean any event encompassing when a Customer purchases Goods and Services, including without limitation, purchases at any TLI Stores, TLI's Catalog and through the Internet.

"USPS" shall mean the United States Postal Service.

"WFN" shall mean World Financial Network National Bank, an affiliate of ADS.

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

SECTION 2. DATABASE SERVICES

2.1 DATABASE SERVICES. Subject to the terms and conditions of this Agreement, ADS shall perform the Services for the TLI Entities. During the Term, neither TLI Entity nor their Subsidiaries shall appoint any third-party to perform any of the Services for either TLI Entity or any one of the Subsidiaries. It is understood and agreed that the TLI Entities and their affiliates may manipulate, evaluate and otherwise utilize any and all Data, including the TLI Data, in connection with their retail businesses. The TLI Entities agree that it is their intent that if either TLI Entity or any one of the Subsidiaries, acquires or commences any new businesses or subsidiaries, unless prohibited from doing so by an existing agreement or other obligation, the relevant TLI Entity intends to enter into an amendment to this Agreement to bring all new businesses or subsidiaries within the scope of this Agreement, except for any test, pilot or concept businesses or subsidiaries with less than 100 stores. It is understood and agreed that, unless and until each such amendment is entered into, no new business or subsidiary shall be within the scope of or subject to this Agreement, and no TLI Entity, nor Subsidiary shall have any obligation under this Agreement with respect to any such business or subsidiary or any information or data related thereto or arising therefrom.

2.2 OPERATING PROCEDURES. The TLI Entities, the Subsidiaries and all TLI Stores shall observe and comply with the Operating Procedures and such other reasonable procedures mutually agreed to in writing by TLI, IBI and ADS or as required by Applicable Law.

2.3 SOFTWARE AND TECHNOLOGY OWNERSHIP. All software or other technology owned, developed by or licensed to ADS (including, but not limited to, software or other technology developed by or licensed to ADS in response to a TLI Entity's request or to accommodate a TLI Entity's special requirements) will remain the exclusive property of ADS, regardless of whether or not TLI or IBI is required to pay ADS for such software or technology development (it being understood that in no event shall either TLI Entity be required to pay for any such software or technology development unless the relevant TLI Entity shall have agreed to make such payment in writing in advance). Nothing in this Agreement shall be deemed to convey a proprietary interest to TLI, IBI, any Subsidiary or to any party other than ADS in any of the software,

hardware or technology used or provided by ADS to permit or facilitate use of the Services, or in any of the derivative works thereof.

2.4 DATA ENTRY AND TRANSMISSION. ADS shall not be responsible for errors in the Services to the extent such errors result from either TLI Entity's or their Subsidiaries' error in inputting and/or transmitting Data or either TLI Entity's or their Subsidiaries' failure to follow ADS's Operating Procedures. ADS shall be entitled to rely upon information submitted by the TLI Entities, the Subsidiaries and by other parties on their behalf.

2.5 ADS INTELLECTUAL PROPERTY. ADS intellectual property shall include, without limitation: ADS's marketing database system and design, and ADS's unique segmentation designs and incremental sales models, other models or modeled data aggregations, and customer clustering and profiling products (i.e., Portrait).

2.6 OWNERSHIP RIGHTS OF PARTIES. Except as expressly set forth in this Agreement, no Party will, as a result of this Agreement, or of performance hereunder, acquire any property or other right, claim or interest, including any patent right, trade secret, or copyright or other intellectual property right, in any of the information systems, processes, equipment, or computer software of the other, or any service marks or trademarks of the other.

2.7 DATA USE, SALES AND NO-COMPETE RESTRICTIONS. Each of TLI and IBI agree that ADS shall have the exclusive right to provide, share, barter and/or sell all TLI Data and data elements derived from the TLI Data PROVIDED that, in no event shall ADS provide, share, barter and/or sell any TLI Data or any data elements derived from any TLI Data without the prior written consent of the TLI Entities which shall not be unreasonably withheld. Without limiting the generality of the proviso to the immediately preceding sentence, ADS agrees that it shall not (and shall cause it affiliates not to) provide, share, barter, and/or sell TLI Data or any other data elements derived from the TLI Data which could be identified by third parties as being derived from the TLI Data to any third parties who, in the sole judgment of TLI and IBI, compete, directly or indirectly, with any retail or catalogue business conducted by any TLI Entity or any of their subsidiaries from time to time. It is understood that, subject to compliance with the proviso to the first sentence of this Section 2.7, the immediately preceding sentence shall not prohibit ADS to share TLI Data or other data elements derived from the TLI Data with data "compilers" (or similar entities); provided that ADS prohibits any such third party with whom it shares TLI Data or any other data elements derived from the TLI Data which could be identified by third parties as being derived from the TLI Data, from identifying such data as being derived from ADS, the TLI Entities or their subsidiaries from time to time. Neither TLI, IBI, nor any of the Subsidiaries may provide, share, barter, and/or sell any Data or data elements contained in the Main Data Warehouse to any third party without the prior express written consent of ADS.

ADS will control all such third-party Data transactions from one organization within the Consumer Database Marketing Services area and will name a single point of contact for managing the review and approval process with the TLI Entities. TLI and IBI agree to name a

single point of contact for review and written approval of such third-party data sales with ADS, which review and written approval shall be binding on both TLI and IBI. The initial point of contact at ADS shall be the Consumer Database Marketing Services Director of Product Management and the initial point of contact for the TLI Entities shall be Vice-President, Database Marketing. Any such point of contact may be changed at any time by the relevant Party upon delivery to the other party of written notice to such effect (which notice shall identify and provide contact information for the new point of contact). ADS and the TLI Entities shall agree to work in good faith to develop procedures to identify and agree to a jointly understood list of non-competitive third party purchasers and/or categories of purchasers from non-competitive categories and/or industries. This list will be reviewed and accepted in writing by both ADS and the TLI Entities at least annually.

ADS shall retain any and all rights which ADS has to the ADS Data. The TLI Entities shall retain any and all rights which they have to the TLI Data. Nothing contained in this Agreement shall be deemed to convey any rights or proprietary interest in the Data to TLI, IBI or ADS other than the specific rights to use the Data granted in this Agreement.

2.8 REVENUE SHARING. "Net Revenues" from Data sales to third parties shall be shared between ADS and the TLI Entities on the following schedule during the Term. Payments made by ADS to the TLI Entities shall be made to the TLI Entity set forth in the Notices Section 10.7 of this Agreement. "Net Revenues" shall mean gross revenues collected by ADS from sales of Data elements from the Main Data Warehouse by ADS pursuant to Section 2.7 of this Agreement, less the amount of: (a) customary trade, cash and quantity discounts actually allowed and taken; (b) allowances actually given for returned or rejected Data; (c) actual charges for losses; (d) government mandated and other rebates; (e) value added tax, sales, use or turnover taxes, excise taxes, customs duties and other applicable charges; and (f) processing expenses and list brokerage fees. Contract Year 1: ADS shall retain one hundred percent (100%) of the initial One Million Five Hundred Thousand Dollars ($1,500,000) of Net Revenues. ADS shall retain seventy percent (70%) of all Net Revenues above and beyond the initial One Million Five Hundred Thousand Dollars ($1,500,000) of Net Revenues, and ADS shall pay the TLI Entities the remaining thirty percent (30%) of all Net Revenues above and beyond the initial One Million Five Hundred Thousand Dollars ($1,500,000) of Net Revenues. Contract Year 2: ADS shall retain one hundred percent (100%) of the initial Two Million Five Hundred Thousand Dollars ($2,500,000) of Net Revenues. ADS shall retain seventy percent (70%) of all Net Revenues above and beyond the initial Two Million Five Hundred Thousand Dollars ($2,500,000) of Net Revenues, and ADS shall pay the TLI Entities the remaining thirty percent (30%) of all Net Revenues above and beyond the initial Two Million Five Hundred Thousand Dollars ($2,500,000) of Net Revenues. Contract Year 3 and during each Renewal Term: ADS shall retain one hundred percent (100%) of the initial Three Million Five Hundred Thousand Dollars ($3,500,000) of Net Revenues. ADS shall retain seventy percent (70%) of all Net Revenues above and beyond the initial Three Million Five Hundred Thousand Dollars ($3,500,000) of Net Revenues, and ADS shall pay the TLI Entities the remaining thirty percent (30%) of all Net Revenues above and beyond the initial Three Million Five Hundred Thousand Dollars ($3,500,000) of Net Revenues.

2.9 CONSUMER PRIVACY PROTECTION. All provision, sharing and/or sales of Data to third parties shall be subject to and effected in accordance with the provisions of the ADS and WFN Privacy Policies and procedures for consumer notification and provisions for opt-out. The ADS and WFN Privacy Policies may be modified by ADS and/or WFN from time to time as regulation, legislation, or commonly accepted industry practices change or otherwise in ADS' and/or WFN's reasonable discretion. In addition to the requirements set forth in the preceding sentences of this Section 2.9, ADS agrees to take all action necessary to ensure that the provision, sharing, bartering and/or sale of TLI Data or data elements derived from any TLI Data by ADS shall also be subject to and effected in accordance with the privacy policies of the TLI Entities as in effect from time to time. The TLI Entities' privacy policies in effect as of the date hereof are found in Schedule F. In the event either of the TLI Entities, during the Term of this Agreement, changes its privacy policies (which each TLI Entity shall be entitled to do as it shall determine from time to time), then the TLI Entity shall promptly notify ADS, in writing, of such change. If such

change would, in ADS' reasonable business judgment, materially negatively impact the ability of ADS to profit from the business arrangements established by the terms of this Agreement, then ADS and the TLI Entities shall enter into negotiations to execute a mutually satisfactory written amendment to this Agreement designed to compensate ADS for such reduced profitability.

In determining the compensation to ADS, the parties shall consider the following. In the event ADS would be unable as a result of the privacy policies change to generate any Net Revenues, then the TLI Entities would pay to ADS the following amounts set forth below:

(a) $690,000 per month for the remaining Services provided by ADS; and

(b) An amount equal to (i) the monthly average from the six (6) month period prior to the date on which the TLI Entity's privacy policies revision took effect of the 70% portion of Net Revenues retained by ADS pursuant to the Revenue Sharing provision of Section 2.8, multiplied by (ii) the number of months remaining in the Term.

If ADS would be able to generate some Net Revenues, but not to the same extent as if the privacy policies were not changed, then the parties shall negotiate in good faith to determine adequate compensation to ADS, taking into consideration the full compensation set forth in the preceding paragraph.

If the parties fail to execute a mutually acceptable agreement with ninety (90) days after the date on which the TLI Entities notified ADS of the change, then the parties shall submit to arbitration as provided below.

Any controversy, claim or dispute between the parties related to or arising out of this Section that cannot be resolved in the normal course of business (which shall include at least one meeting between senior executive officers of ADS and the TLI Entities) shall be settled by arbitration, conducted on a confidential basis, under the then current Commercial Rules of the American Arbitration Association. The arbitrators may not add to the terms of this Agreement, but must resolve the dispute or disagreement in accordance with the Agreement's existing terms. Any decision by the arbitrators shall be binding and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitration shall be conducted by three arbitrators. One arbitrator shall be selected by ADS, one arbitrator shall be selected by the TLI Entities and the third arbitrator shall be selected by the American Arbitration Association and shall be subject to approval by ADS and the TLI Entities. The Arbitration shall be conducted in accordance with the terms of this Agreement and the following principles:

(1) The parties agree that each party has the same discovery rights as are afforded under the Federal Rules of Civil Procedure, including such discovery of third parties as is necessary to resolve the controversy. Each party shall bear its own costs (e.g., filing, attorney and expert

witness fees) and shall share equally the cost of arbitration (e.g., arbitrator, court reporter and hearing room fees). The arbitrator shall provide detailed, written findings of fact and conclusions of law to the parties in support of any award or decision the arbitrator makes.

(2) During any arbitration or other dispute resolution proceeding, the parties shall remain obligated to perform as required under this Agreement; PROVIDED that any payments that may be in dispute shall be made to the court or placed in escrow, under terms that are mutually acceptable to the parties, until the dispute is resolved.

2.10 NAME, TRADEMARKS AND SERVICE MARKS. The TLI Entities hereby grant to ADS and purchasers of Data from ADS the non-exclusive right to use the tradenames, logos, trademarks and service marks of the TLI Entities (including, without limitation, the name, trademarks and service marks of the Subsidiaries) for purposes of performing the Services, provided that (i) such use shall be in accordance with any written usage guidelines provided to ADS in advance by the TLI Entities and (ii) such usage shall be subject to the relevant TLI Entity's prior written consent.

SECTION 3. FEES

3.1 FEES. The TLI Entities will pay to ADS the fees set forth in Schedule C hereto during the Term.

3.2 TAXES. The TLI Entities will be responsible for payment of all sales, use, excise, and value-added taxes, or taxes of a similar nature, imposed by the United States, any state or local government, or other taxing authority, on the Services paid for hereunder.

3.3 INVOICES. During the Term, ADS shall send quarterly invoices to each of the Subsidiaries at the corresponding address initially set forth in Schedule E of this Agreement, and each of the Subsidiaries shall pay ADS within thirty (30) days after the date of the corresponding invoice. In the event of a dispute as to the accuracy of an invoice or calculation made pursuant to this Agreement, the TLI Entities shall within sixty (60) days of the date of the invoice, request that ADS provide such supporting material as would be reasonably designed to ascertain the accuracy of the invoice or calculation. The TLI Entities shall nevertheless pay the portion of the invoice that is not in dispute. The parties shall cooperate to resolve any payment disputes under this Agreement in an expeditious manner. If indicated, ADS shall either promptly issue invoice credit to the TLI Entities against the earliest subsequent invoices or make prompt payment to the TLI Entities as per the terms of such resolution. Any payment by ADS to the TLI Entities shall be made to the TLI Entity set forth in the Notices Section 10.7 of this Agreement. If any amount remains due and unpaid, the TLI Entities shall promptly pay such amount. Invoices not paid within thirty (30) days of the invoice date may be assessed interest by ADS at a rate equal to the prime interest rate as published for the relevant period in the Wall Street Journal plus one and one-half percent (1-1/2%) per annum.

3.4 SUSPENSION. ADS shall have the right to suspend its performance of the Services in the event that the TLI Entities fails to pay an undisputed amount due to ADS hereunder within sixty (60) days after the date of the corresponding invoice.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE TLI ENTITIES

Each TLI Entity hereby represents and warrants on behalf of itself to ADS as follows:

4.1 ORGANIZATION, POWER AND QUALIFICATION. It is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate (or equivalent) power and authority to enter into this Agreement on its own behalf and on behalf of each of its respective Subsidiaries, and to carry out the provisions of this Agreement. It is duly qualified and in good standing to do business in all the states where it is located, except where the failure to so qualify would not have a material adverse effect on its business, or where the failure to so qualify would not have a material adverse effect on its ability to perform under this Agreement.

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

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

(c) Its execution, delivery and performance of this Agreement by the relevant TLI Entity hereunder, including, without limitation, its provision of TLI Data to ADS and the compliance by it with all provisions of this Agreement (i) will not conflict with or violate any Applicable Law, and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any indenture, loan agreement or other contract or agreement under which it is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on it, nor will such execution, delivery or compliance violate or result in the violation of its Articles of Incorporation or by-laws.

4.3 ACCURACY OF INFORMATION. All factual information that is generated by it internally and not from a third party and that is furnished by it to ADS in writing at any time pursuant to any requirement of, or furnished in response to any written request of, ADS under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by it to ADS will be, based on the relevant TLI Entity's reasonable knowledge, true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information was or will be stated or certified.

4.4 NAME, TRADEMARKS AND SERVICE MARKS. It has the legal right to use and to permit ADS to use, to the extent set forth herein, the various tradenames, trademarks, logos and service marks utilized by it in the conduct of its business.

4.5 OWNERSHIP RIGHTS. It is the owner of or otherwise has the lawful right to transfer, use and license the TLI Data pursuant to this Agreement.

SECTION 5. COVENANTS OF THE TLI ENTITIES

Each of the TLI Entities agrees on behalf of itself that during the Term of this Agreement:

5.1 COMPLIANCE WITH LAW. It shall do or cause to be done all things necessary to comply with all Applicable Laws (including but not limited to all applicable state and federal privacy laws including without limitation the federal Gramm-Leach-Bliley Act (15 U.S.C. 6801 et seq.) the federal Driver's Privacy Protection Act (18 U.S.C. 2721 et seq.)) in connection with its business, its use of the Data and its obligations pursuant to this Agreement. It shall comply with the Direct Marketing Association's guidelines with respect to the Data.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF ADS

ADS hereby represents and warrants to the TLI Entities as follows:

6.1 ORGANIZATION, POWER AND QUALIFICATION. ADS is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. ADS is duly qualified and in good standing to do business in all jurisdictions where such qualification is necessary for ADS to carry out its obligations under this Agreement.

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

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over ADS is

required for, and the absence of which would materially adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

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

6.3 ACCURACY OF INFORMATION. All factual information that is generated by ADS internally and not from a third party that is furnished by ADS to the TLI Entities in writing at any time pursuant to any requirement of, or furnished in response to any written request of the TLI Entities under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by ADS to the TLI Entities will be, based on ADS' reasonable knowledge, true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information has or will be stated or certified.

6.4 OWNERSHIP RIGHTS. ADS represents and warrants that it is the owner of or otherwise has the lawful right to transfer, use and license the ADS Data pursuant to this Agreement.

SECTION 7. COVENANTS OF ADS

ADS agrees that during the Term of this Agreement:

7.1 COMPLIANCE WITH LAW. ADS shall do or cause to be done all things necessary to comply with all Applicable Laws (including but not limited to all applicable state and federal privacy laws including without limitation the federal Gramm-Leach-Bliley Act (15 U.S.C. 6801 et seq.) the federal Driver's Privacy Protection Act (18 U.S.C. 2721 et seq.)) in connection with its business, its use of the Data and its obligations pursuant to this Agreement. ADS shall comply with the Direct Marketing Association's guidelines with respect to the Data. ADS shall do or cause to be done all things necessary to ensure that (x) its actions with respect to obtaining Data and (y) the provision, sharing, bartering and/or selling of Data to third parties complies (in the case of clauses (x) and (y)) with Applicable Law (including the federal and state privacy laws noted above) and shall require in its transactions with third parties that the use of Data by such third parties complies with all Applicable Laws.

SECTION 8. INDEMNIFICATION

8.1 INDEMNIFICATION OBLIGATIONS. (a) TLI shall be liable to and shall indemnify and hold ADS and its affiliates, subsidiaries and parent and their respective officers, directors, employees, subcontractors and their successors and assigns, harmless from any and all Losses (as hereinafter defined) incurred by reason of: (i) TLI's breach of any representation, warranty or covenant hereunder, (ii) TLI's performance of or failure to perform its obligations hereunder, (iii) any action or failure to act by TLI, any of the Subsidiaries or a TLI Store and its respective officers, directors and/or employees, which results in a claim against ADS, its officers, employees, affiliates, subsidiaries, and parent, unless the proximate cause of any such claim is an act or failure to act by ADS, its officers, directors or employees.

(b) IBI shall be liable to and shall indemnify and hold ADS and its affiliates, subsidiaries and parent and their respective officers, directors, employees, subcontractors and their successors and assigns, harmless from any and all Losses (as hereinafter defined) incurred by reason of: (i) IBI's breach of any representation, warranty or covenant hereunder, (ii) IBI's performance of or failure to perform its obligations hereunder, (iii) any action or failure to act by IBI, any of the Subsidiaries or a IBI Store and its respective officers, directors and/or employees, which results in a claim against ADS, its officers, employees, affiliates, subsidiaries, and parent, unless the proximate cause of any such claim is an act or failure to act by ADS, its officers, directors or employees.

(c) ADS shall be liable to and shall indemnify and hold TLI, IBI and their respective affiliates, subsidiaries and parent and their respective officers, directors, employees, sub-contractors and their successors and assigns, harmless from any and all Losses (as hereinafter defined) incurred by reason of: (i) ADS's breach of any representation, warranty or covenant hereunder, (ii) ADS's performance or and failure to perform its obligations hereunder, and (iii) any action or failure to act by ADS and its officers, directors, and employees which results in a claim against TLI, IBI or their officers, employees, affiliates, subsidiaries and parent, unless the proximate cause of any such claim is an act or failure to act by TLI, IBI and their respective officers, directors or employees.

(d) For purposes of this Section 8.1 the term "Losses" shall mean any liability, damage, costs, fees, losses, judgments, penalties, fines, and expenses, including without limitation, any reasonable attorneys' fees, disbursements, settlements (which require the other party's consent which shall not be unreasonably withheld), and court costs, reasonably incurred by ADS, TLI, or IBI as the case may be, without regard to whether or not such Losses would be deemed material under this Agreement except that Losses may not include any overhead costs that any party would normally incur in conducting its everyday business.

8.2 LIMITATION ON LIABILITY. (a) IN NO EVENT SHALL ADS, TLI OR IBI BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF THIS AGREEMENT.

(b) ADS' TOTAL ANNUAL LIABILITY TO THE TLI ENTITIES FOR ALL DAMAGES FOR ANY CAUSE WHATSOEVER OCCURRING DURING ANY YEAR OF THE TERM OF THIS AGREEMENT, SHALL NOT EXCEED ONE HUNDRED PERCENT (100%) OF THE ACTUAL FEES RECEIVED OR RECEIVABLE BY ADS FROM THE TLI ENTITIES DURING SUCH YEAR. ADS' TOTAL CUMULATIVE LIABILITY TO THE TLI ENTITIES UNDER THIS AGREEMENT FOR ALL DAMAGES FOR ANY CAUSE WHATSOEVER, SHALL NOT EXCEED ONE HUNDRED PERCENT (100%) OF THE ACTUAL FEES RECEIVED OR RECEIVABLE BY ADS FROM THE TLI ENTITIES DURING THE TERM OF THIS AGREEMENT; PROVIDED, HOWEVER, THAT THE LIMITATIONS ON LIABILITY SET FORTH IN CLAUSES (A) AND (B) OF THIS SECTION 8.2 SHALL NOT APPLY TO ADS' INDEMNITY OBLIGATIONS WHEN THE INDEMNITY OBLIGATION ARISES FROM ALLEGATIONS OR CLAIMS WITH RESPECT TO THE FOLLOWING:

(1) ADS' FAILURE TO COMPLY WITH ANY APPLICABLE LAWS OR THE TLI ENTITIES' PRIVACY POLICIES AS IN EFFECT FROM TIME TO TIME;

(2) ADS' BREACH OF ANY OF ITS OBLIGATIONS UNDER SECTION 2.7; AND

(3) ADS' WILLFUL OR GROSSLY NEGLIGENT ACTS.

(c) THE TLI ENTITIES' TOTAL ANNUAL LIABILITY TO ADS FOR ALL DAMAGES FOR ANY CAUSE WHATSOEVER OCCURRING DURING ANY YEAR OF THE TERM OF THIS AGREEMENT, SHALL NOT EXCEED ONE HUNDRED PERCENT (100%) OF THE ACTUAL FEES PAID BY THE TLI ENTITIES TO ADS DURING SUCH YEAR. THE TLI ENTITIES' TOTAL CUMULATIVE LIABILITY TO ADS UNDER THIS AGREEMENT FOR ALL DAMAGES FOR ANY CAUSE WHATSOEVER, SHALL NOT EXCEED ONE HUNDRED PERCENT (100%) OF THE ACTUAL FEES PAID BY THE TLI ENTITIES TO ADS DURING THE TERM OF THIS AGREEMENT; PROVIDED, HOWEVER, THAT THE LIMITATIONS ON LIABILITY SET FORTH IN CLAUSES (A) AND (C) OF THIS SECTION 8.2 SHALL NOT APPLY TO THE TLI ENTITIES' INDEMNITY OBLIGATIONS WHEN THE INDEMNITY ARISES FROM ALLEGATIONS OR CLAIMS WITH RESPECT TO THE TLI ENTITIES' WILLFUL OR GROSSLY NEGLIGENT ACTS.

8.3 NO WARRANTIES. EXCEPT AS EXPRESSLY PROVIDED HEREIN, THERE ARE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING THE IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, RESPECTING THE SERVICES PROVIDED BY ADS PURSUANT TO THIS AGREEMENT; PROVIDED THAT THE PROVISIONS OF THIS SECTION 8.3 SHALL NOT LIMIT OR AFFECT ADS' INDEMNIFICATION OBLIGATIONS SET FORTH IN SECTIONS 8.1, 8.2 AND 8.4.

8.4 NOTIFICATION OF INDEMNIFICATION; CONDUCT OF DEFENSE. (a) In no case shall the indemnifying party be liable under Section 8.1 of this Agreement with respect to any claim or claims made against the indemnified party or any other person so indemnified unless it shall be notified in writing of the nature of the claim within a reasonable time after the assertion thereof, but failure to so notify the indemnifying party shall not relieve it from any liability which it may have under other provisions of this Agreement.

(b) The indemnifying party shall be entitled to participate, at its own expense, in the defense, or, if it so elects, within a reasonable time after receipt of such notice, to assume the defense of any suit brought against the indemnified party which gives rise to a claim against the indemnifying party, but, if the indemnifying party so elects to assume the defense, such defense shall be conducted by counsel chosen by it and approved by the indemnified party or the person or persons so indemnified, who are the defendant or defendants in any suit so brought, which approval shall not be unreasonably withheld. If the indemnifying party elects to assume the conduct of the defense of any suit brought to enforce any such claim and retains counsel to do so, the indemnified party or the person or persons so indemnified who are the defendant or defendants in the suit, shall bear the fees and expenses of any additional counsel thereafter retained by the indemnified party or such other person or persons.

SECTION 9. TERM AND TERMINATION

9.1 TERM. This agreement will be effective as of September 1, 2000 and shall remain effective through August 31, 2003, unless sooner terminated in accordance with this Section 9. After August 31, 2003 (the "Initial Term") the agreement shall be extended automatically for one (1) year Renewal Terms unless any party has notified the other in writing not later than six (6) months prior to the end of the Initial Term or any subsequent Renewal Term, subject to the termination provisions in Section 9 of this Agreement. Notice of termination shall be given in the manner set forth in Section 10.7.

9.2 TERMINATION WITH CAUSE BY ADS; ADS TERMINATION EVENTS. Any of the following conditions or events shall constitute a "ADS Termination Event" hereunder, and ADS may terminate this Agreement immediately without further action if either TLI Entity causes such ADS Termination Event to occur and be continuing:

(a) If TLI or IBI shall (i) generally not pay its debts as they become due; (ii) file, or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action in preparation for the events set forth in subsections (ii), (iii), or (iv); (vii) have a materially adverse change in its financial condition, including, but not limited to receiving a bond downgrade or being downgraded by a rating agency to a rating below an investment grade rating, or (viii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern or (ix) breach or fail to perform or observe any covenant or agreement contained in any creditor loan agreement, debt instrument or any other contract or agreement to which it is bound; or

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

(c) If TLI or IBI shall materially default in the performance of or compliance with any term or violates any of the covenants, representations, warranties or agreements contained in this Agreement and TLI shall not have remedied such default within thirty (30) days after written notice thereof shall have been received by TLI or IBI from ADS; or

(d) If any law, ordinance, regulation or the like, including, without limitation, any applicable state or federal law, prohibits or significantly impacts ADS' performance of the Services. In the event of termination on this basis, TLI, IBI and ADS shall negotiate in good faith to establish mutually agreeable terms and condition for continued use of the then existing Main Data Warehouse.

9.3 TERMINATION WITH CAUSE BY THE TLI ENTITIES; TLI TERMINATION EVENTS. Any of the following conditions or events shall constitute an "TLI Termination Event" hereunder, and the TLI Entities may terminate this Agreement immediately without further action if ADS causes such TLI Termination Event to occur and be continuing:

(a) If ADS shall (i) generally not be paying its debts as they become due; (ii) file or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with

similar powers for itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; or (vi) take corporate action in preparation for events set forth in subsections (ii), (iii) or (iv); (vii) have a materially adverse change in its financial condition, including, but not limited to receiving a bond downgrade or being downgraded by a rating agency to a rating below an investment grade rating, or (viii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern or (ix) breach or fail to perform or observe any covenant or agreement contained in any creditor loan agreement, debt instrument or any other contract or agreement to which it is bound; or

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

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

(d) The TLI Entities may terminate this Agreement upon thirty (30) days written notice if ADS Substantially fails to meet two or more of the required service standards set forth in Schedule B hereto. It is understood and agreed that the penalties specified in the Schedules hereto are in addition to the rights of the TLI Entities under this Agreement, including their right to terminate this Agreement pursuant to Section 9.1(c) and 9.3(d). "Substantially" in this case means more than one-third of the time to provide the Services in any given Contract Year, in accordance with the relevant service standards and subject to Section 10.11.

9.4 EFFECT OF TERMINATION. Upon expiration or termination of this Agreement, all of the following provisions shall be applicable:

(1) The TLI Entities shall pay ADS the full amount of any and all outstanding invoices for undisputed fees or charges within thirty (30) days;

(2) within ten (10) Business Days of the expiration or termination of this Agreement, ADS shall deliver to the TLI Entities (x) all of the TLI Data and all other information or materials reflecting or based upon, in whole or in part, any TLI Data which ADS developed for the TLI Entities pursuant to this Agreement (the TLI Data and such other information and materials are referred to collectively as the "Relevant Data") in cartridge media or such other format as the TLI Entities shall reasonably request, (y) a copy

of ADS' data model, table structure, business rules and all other documentation relating to the Services which is reasonably required by TLI for the transition of the Services, and (z) all other promotional or other materials relating, directly or indirectly, to any TLI Entity or any aspect of the business of either TLI Entity;

(3) the rights of ADS to utilize any Relevant Data in any manner whatsoever, directly or indirectly, for internal purposes or otherwise (including, without limitation, the provision, sharing, bartering or selling of any Relevant Data to third parties) shall cease immediately;

(4) from and after such expiration or termination, ADS shall take all steps reasonably necessary or appropriate to assist the TLI Entities in transitioning to another provider of services similar to the Services, including causing ADS personnel to be reasonably available to the TLI Entities or such new service provider as reasonably necessary or appropriate to respond to inquiries and otherwise to facilitate the transition; and

(5) all obligations of the parties hereunder shall cease except such obligations which survive termination pursuant to Section 10.13, it being understood, however, that the parties shall be obligated to perform all of their obligations hereunder until the effective date of termination.

SECTION 10. MISCELLANEOUS

10.1 ENTIRE AGREEMENT. This Agreement constitutes the entire Agreement and supersedes all prior agreements and understandings, whether oral or written, among the parties hereto with respect to the subject matter hereof and merges all prior discussions between them.

10.2 COORDINATION OF PUBLIC STATEMENTS. No party will make any public announcement of this Agreement or provide any information concerning this Agreement to any representative of any news, trade or other media without the prior approval of the other party, and will not respond to any inquiry from any public or governmental authority, except as required by law, concerning this Agreement without prior consultation and coordination with the other party.

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

10.4 SUCCESSORS AND ASSIGNS. This Agreement and all obligations and rights arising hereunder shall be binding upon and inure to the benefit of the parties hereto and their respective successors, transferees and assigns. None of TLI, IBI or ADS may assign its rights and obligations under this Agreement without the prior written consent, which consent shall not be

unreasonably withheld, of ADS (in the case of TLI or IBI) or TLI (in the case of ADS); provided that a party may assign its rights and obligations to any Affiliate of such party without the other parties' consent (it being understood that no assignment pursuant to this proviso shall relieve the assigning party of any of its obligations hereunder).

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

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

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

If to ADS:
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800 TechCenter Drive
Gahanna, Ohio 43230
Attn.: Dennis Kooker, VP Consumer
Database Marketing Services
With a Copy to: Karen Morauski

If to the TLI Entities:

The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn.: Daniel P. Finkelman

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

10.9 GOVERNING LAW. THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO, REGARDLESS OF THE DICTATES OF OHIO CONFLICTS OF LAW, AND THE PARTIES HEREBY SUBMIT TO EXCLUSIVE JURISDICTION AND VENUE IN THE UNITED

STATES FEDERAL DISTRICT COURT FOR THE NORTHERN DISTRICT OF OHIO OR ANY OF THE STATE COURTS LOCATED IN FRANKLIN COUNTY, OHIO.

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

10.11 FORCE MAJEURE. No party will be responsible for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its control, including, but not limited to, acts of God, flood, criminal acts, fire, riot, computer viruses, computer hackers, accident, strikes or work stoppage, embargo, sabotage, inability to obtain material, equipment or phone lines, government action (including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement), and other causes whether or not of the same class or kind as specifically named above. In the event a party is unable to perform substantially for any of the reasons described in this Section, it will notify the other party promptly of its inability so to perform, and if the inability continues for at least thirty (30) consecutive days, the party so notified may then terminate this Agreement forthwith. This provision shall not, however, release the party unable to perform from using its best efforts to avoid or remove such circumstance and such party unable to perform shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

10.12 RELATIONSHIP OF PARTIES. This Agreement does not constitute the parties as partners or joint venturers and no party will so represent itself.

10.13 SURVIVAL. No termination of this Agreement shall in any way affect or impair the powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring prior to such termination. No powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring after termination shall survive termination except for the following Sections: Section 3, Section 8, Section 10.7 and Section 10.18.

10.14 MUTUAL DRAFTING. This Agreement is the joint product of ADS, IBI and TLI and each provision hereof has been subject to mutual consultation, negotiation and agreement of ADS, IBI and TLI.

10.15 INDEPENDENT CONTRACTOR. The parties hereby declare and agree that ADS is engaged in an independent business, and shall perform its obligations under this Agreement as an independent contractor; that any of ADS's personnel performing the services hereunder are agents, employees, affiliates, or subcontractors of ADS and are not agents, employees, affiliates, or subcontractors of the TLI Entities; that ADS has and hereby retains the right to exercise full control of and supervision over the performance of ADS's obligations hereunder and full control over the employment, direction, compensation and discharge of any and all of the ADS's agents,

employees, affiliates, or subcontractors, including compliance with workers' compensation, unemployment, disability insurance, social security, withholding and all other federal, state and local laws, rules and regulations governing such matters; that ADS shall be responsible for ADS's own acts and those of ADS's agents, employees, affiliates, and subcontractors; and that except as expressly set forth in this Agreement, ADS does not undertake by this Agreement or otherwise to perform any obligation of the TLI Entities, whether regulatory or contractual, or to assume any responsibility for the TLI Entities' business or operations.

10.16 NO THIRD PARTY BENEFICIARIES. The provisions of this Agreement are for the benefit of the parties hereto and not for any other person or entity.

10.17 COUNTERPARTS. This Agreement may be executed in several counterparts all of which taken together shall constitute one single agreement between the parties.

10.18 CONFIDENTIALITY. (a) No party shall disclose any information not of a public nature concerning the business or properties of any other party which it learns as a result of negotiating or implementing this Agreement or the transactions contemplated hereby, including, without limitation, the terms and conditions of this Agreement, trade secrets, business and financial information, business methods, procedures, know-how and other information of every kind that relates to the business of any party except to the extent disclosure is required by applicable law, is necessary for the performance of the disclosing party's obligation under this Agreement, or is agreed to in writing by the other party; provided that: (i) prior to disclosing any confidential information to any third party, the party making the disclosure shall give notice to the other party of the nature of such disclosure and of the fact that such disclosure will be made; and (ii) prior to filing a copy of this Agreement with any governmental authority or agency, the filing party will consult with the other party with respect to such filing and shall redact such portions of this Agreement which the other party requests be redacted, unless, in the filing party's reasonable judgment based on the advice of its counsel (which advice shall have been discussed with counsel to the other party), the filing party concludes that such request is inconsistent with the filing party's obligations under applicable laws. No party shall use the other party's name for advertising or promotional purposes without such other party's written consent. None of the foregoing shall preclude any party from disclosing Data in the course of exercising its rights under Section 2.4 hereof.

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

(i) which is generally known to the trade or to the public at the time of such disclosure; or

(ii) which becomes generally known to the trade or the public subsequent to the time of such disclosure; provided, however, that such general knowledge is not the result of a disclosure in violation of this Section; or

(iii) which is obtained by a party from a source other than the other party, without breach of this Agreement or any other obligation of confidentiality or secrecy owed to such other party or any other person or organization; or

(iv) which is independently conceived and developed by the disclosing party and proven by the disclosing party through tangible evidence not to have been developed as a result of a disclosure of information to the disclosing party, or any other person or organization which has entered into a confidential arrangement with the non-disclosing party.

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

10.19 NON-INTERFERENCE WITH EMPLOYEES. The parties acknowledge that their continuing relationship with their own employees is an essential requirement of their business. Accordingly, during the Term of this Agreement and continuing for six (6) months thereafter, unless it has received the other parties' prior written consent, each party agrees not to solicit for employment any person who is an employee of the other who is involved in any way in providing or receiving the Services under this Agreement (it being understood that general solicitations through newspaper advertisements, recruitment firms and similar means not violate the provisions of this Section 10.19).

10.20 VICTORIA'S SECRET CATALOGUE. Notwithstanding any provision of this Agreement to the contrary, (i) Victoria's Secret Catalogue is not a part of or subject to this Agreement and (ii) any and all data or other information derived from or attributable to the business or operations of Victoria's Secret Catalogue ("VSC Data"), which may be present on the Main Data Warehouse from time to time, shall not be subject to or considered a part of this Agreement. Without limiting the generality of the foregoing, the rights granted to ADS and its affiliates, and the restrictions imposed on the TLI Entities and their affiliates, pursuant to this Agreement shall not extend to or encompass any such VSC Data. Notwithstanding the foregoing, data derived from another business that is the same as VSC Data, including without limitation customer names and addresses, is subject to and considered a part of this Agreement.

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

THE LIMITED, INC. BY AND ON BEHALF OF THE LIMITED, INC. AND ITS SUBSIDIARIES	ADS ALLIANCE DATA SYSTEMS, INC.
By: /s/ Daniel P. Finkelman	By: /s/ J.B. Sullivan
Title: Senior Vice President	Title: Senior Vice President
Date: 9/15/00	Date: 9-15-00

INTIMATE BRANDS, INC. BY AND ON BEHALF OF INTIMATE BRANDS, INC. AND ITS SUBSIDIARIES
By: /s/ Michael D. Newman
Title: CFO
Date: 9-26-00

EXHIBIT 10.56

PORTIONS OF THIS AGREEMENT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

SUPPLIER AGREEMENT

BETWEEN

LOYALTY MANAGEMENT GROUP CANADA INC.

and

AIR CANADA

Dated as of April 24, 2000

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**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

SUPPLIER AGREEMENT

THIS AGREEMENT is made as of April 24, 2000 between LOYALTY MANAGEMENT GROUP CANADA INC. and AIR CANADA.

WHEREAS LMGC wishes to purchase airline tickets from Airline, and Airline has agreed to sell airline tickets to LMGC, subject to and in accordance with the terms of this Agreement;

AND WHEREAS terms used herein have the meanings set forth in Schedule A hereto and the principals of interpretation set out therein apply to this Agreement;

NOW THEREFORE, in consideration of the premises and the mutual promises and covenants hereinafter set forth, the parties now agree as follows:

ARTICLE 1
RIGHT TO PURCHASE

1.1 RIGHT TO PURCHASE.

(a) Starting on May 1, 2000 and thereafter throughout the Term, LMGC shall have the right to buy Special Tickets from Airline and each Regional Airline, and Airline will make available, and either cause each of the Regional Airlines to make available or obtain itself from each such Regional Airline and make available, for purchase by LMGC, Special Tickets, at the Special Fares and otherwise on the terms and conditions hereof. Airline shall also use its best efforts to cause CAI (so long as it is not a Regional Airline (and as a result, subject to the previous sentence)) to comply with the terms of this Agreement in all respects (including supplying Special Tickets for Airline Seats at the Special Fares) as if it were a Regional Airline. Any reference herein to the purchase by LMGC of Special Tickets or Airline Seats includes any such purchase by any Subsidiary of LMGC (including LMG Travel) and Airline agrees that any such Subsidiary may purchase Special Tickets hereunder at the Special Fares.

(b) During the Initial Period (but subject to Section 1.2), LMGC may purchase Special Tickets at the Special Fares for any Airline Seats offered by Airline or any Regional Airline. During the Additional Period, however, LMGC may only purchase Special Tickets at the Special Fares for itineraries which ****

**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

1.2 CAPACITY.

(a) Except as otherwise provided herein, during the Initial Period LMGC shall (and shall be entitled to) book Special Tickets in **** Class and shall be entitled to the priority currently associated therewith (not to be lower than that available to any other Person booking into **** Class). Except as otherwise provided herein, during the Additional Period LMGC shall (and shall be entitled to) book Special Tickets in a class to be designated by Airline which may, but need not be, **** Class, and which will satisfy the requirements for the Additional Period set out herein (the "Other Class").

(b) Airline agrees to load and maintain the Special Fares in **** Class during the Initial Period and in the Other Class during the Additional Period, and make such Special Fares accessible in SABRE throughout the Term and to give LMGC and LMG Travel (and no one else outside of Airline or a Regional Airline) access to such fares. No other Person or entity entitled to book into **** Class at any time will have greater rights thereto or to the capacity provided thereby, than LMGC. Airline represents and warrants to LMGC that the following statements regarding **** Class are now true and covenants that such statements will be true (subject to Section 1.2(c) below) throughout the Term: (i) **** Class is loaded such that it is accessible in SABRE and can be viewed by LMGC within SABRE, (ii) **** (iii) **** (iv) it regularly provides an initial availability for a route when set of at least **** (v) there are no partitions in such class that would affect LMGC and **** and (vi) ****. The parties have discussed LMGC's current and projected needs and flight patterns for Airline Seats and a description of such needs is attached as Schedule H hereto. Airline confirms that it is its expectation that LMGC's rights to book into **** Class as contemplated hereby will generally satisfy those needs during the Initial Period, ****, and LMGC confirms that it is its expectation that it will book to its forecasts, as reflected in Schedule H, during the Initial Period, although it gives no warranty as to what actual levels of bookings will be. ****

(c) If at any time or from time to time during the Initial Period, Airline changes its booking classes so that **** Class no longer exists or makes any material changes to the parameters associated with such class, Airline shall designate another booking class into which LMGC shall be entitled to book Special Tickets and which will provide LMGC with substantially the same

**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

parameters as described in Section 1.2(b). For purposes hereof, any such replacement class shall thereafter be referred to as "**** Class".

(d) The parties will meet annually to review the concept of LMGC being permitted access to the capacity provided from time to time by Airline under "web specials" made available on Airline's web site. Such access would be provided in order to permit LMGC to assist Airline in utilizing such capacity, by issuing Special Tickets therefrom to its Collectors. The price payable by LMGC for any Airline Seats booked therefrom shall not be any greater than ****. Airline will allow LMGC reasonable access on such basis to book Special Tickets from at least one such web special during the Initial Period, but otherwise Airline has no obligation to provide LMGC such access. LMGC's rights under this Section 1.2(c) are in addition to, and not in limitation of, its capacity entitlements under the balance of this Section 1.3.

1.3 CAPACITY GUARANTEE.

(a) The provisions of Sections 1.3(b) and (c) below shall apply only in respect of itineraries booked by LMGC for the period on or after September 1, 2000 and LMGC acknowledges that Airline cannot commit to such capacity guarantees for itineraries prior thereto. Airline shall however use its commercially reasonable best efforts to ensure that LMGC's needs for capacity are satisfied in respect of itineraries prior thereto.

(b) Subject to Section 1.3(a), Airline shall ensure that, at all times during the Term, for each **** day period which commences at least **** days after such time, ****

(c) In addition, but again subject to Section 1.3(a), Airline shall also ensure that, at all times during the Term, for each **** day period which commences at least **** days after such time, ****

**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

1.4 INSUFFICIENT CAPACITY. If at any time LMGC, acting reasonably, determines (whether from reviewing the reports Airline provides under Section 1.7, from a review of SABRE or otherwise) that the capacity made available to LMGC **** with respect to a particular **** day period that has not been completed does not comply with Section 1.3, LMGC may notify Airline thereof. ****

1.5 OTHER REQUIREMENTS. Airline shall, and shall ensure that each Regional Airline shall, comply with Schedule D hereto. In addition, the terms of this Agreement will be subject to the reservations, commissions, travel, ticket use and other procedures and requirements as set forth in Schedule C hereto.

1.6 TREATMENT OF PASSENGERS HOLDING TICKETS. Except as described in Schedule C, Airline shall, and shall ensure that each Regional Airline shall, treat and serve each passenger holding a Special Ticket in the same manner as each other economy passenger of Airline or such Regional Airline, as applicable, including as to loading priorities, entitlement to denied boarding

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compensation, flight cancellation compensation, baggage limits, or any disruption or compensation, all in accordance with applicable industry tariffs and conditions of carriage.

1.7 REPORTS AND AUDITS. On or before the 15th day of each month during the Term, Airline shall provide LMGC with a report in mutually agreed upon form showing both projected and historical data and, at a minimum, showing, for at least each of the three months immediately thereafter, (i) those routes for which there is no availability to LMGC in such month, (ii) those routes for which there is low and rapidly diminishing capacity to LMGC in such month, and (iii) those routes for which there is sufficient capacity to LMGC in such month. Availability for this purpose shall be determined by availability in the class or classes into which LMGC is then booking hereunder and based on the aggregate number of Airline Seat available on such routes during such month. LMGC shall have the right, on reasonable notice to Airline and during normal business hours and no more than twice each calendar year, to engage an independent third party to audit Airline's records in order to confirm the accuracy of such reports, and in each case the cost of such audit shall be paid by LMGC unless any such audit reveals that the capacity shown to be available to LMGC in a report was incorrect by more than ****, in which case Airline shall pay the cost of such audit.

1.8 PROTECTION OF PROGRAM. Title to the Program, AMRM and all rights represented thereby or related thereto, are reserved at all times to LMGC. LMGC may determine, in its sole discretion, the duration, form, scope and content of the Program and may effect termination, addition, deletion or other modification or change thereof or thereto as it may, in its sole discretion, determine. For greater certainty, this Section 1.8 is not intended to give LMGC the right to change the Program in a manner that would reduce its obligations hereunder.

1.9 DETERMINATION OF **** ROUTES.

****

****

(c) If at any time the parties are unable to agree by December 15th of any year, for purposes of Section 1.9(a) or (b) above, as to the **** to be described in Schedule G or the **** to be described in Schedule I, either party may refer the matter to confidential and binding arbitration under the ARBITRATIONS ACT (Ontario) before a single arbitrator who shall be instructed to provide his or her determination as soon as possible. The cost thereof shall be split equally between the parties. In the event of such a referral, the applicable schedule

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shall only be amended under this Section 1.9 on the date of such determination, and such determination shall be final and binding for purposes of this Section 1.9.

ARTICLE 2
FARES

2.1 SPECIAL FARES.

(a) The Special Fares as of May 1, 2000 are as set out in Part 1 of Schedule B. On ****, the Special Fares will be adjusted with respect to all Special Tickets purchased on or after that date to the amounts set out in Part 2 of Schedule B. On ****, the Special Fares will be adjusted with respect to all Special Tickets purchased on or after that date to the amounts set out in Part 3 of Schedule B. **** as contemplated in Section 5.3, (i) on **** the Special Fares will be adjusted with respect to all Special Tickets purchased on or after that date to the amounts set out in Part 4 of Schedule B, and (ii) on **** the Special Fares will be adjusted with respect to all Special Tickets purchased on or after that date to the amounts set out in Part 5 of Schedule B. ****

(b) For each Special Ticket purchased by LMGC hereunder, LMGC shall pay Airline the applicable Special Fare. **** Infants (i.e. under 2 years old) who do not occupy a separate Airline Seat shall be carried free of charge, except for any applicable Additional Charges and except as otherwise required by applicable law or by regulations or policies applicable to the airline industry.

2.2 ADDITIONAL PAYMENT. As soon as possible, but in any event by July 1, 2000, Airline shall dedicate at least one employee exclusively for the purpose of fulfilling the responsibilities and having the job position and qualifications described in Schedule E hereto. In consideration of Airline fulfilling such responsibility, LMGC shall, within 30 days of such person being hired, pay to Airline an amount (which shall apply in respect of the period from the date of hire up to and including December 31, 2000) determined based on pro rating $**** over the period left in the 2000 calendar year from the date of such hire. Within 30 days following commencement of each subsequent calendar year during the Term, LMGC shall pay an additional $**** to Airline. The amount so paid by LMGC shall be applied on account of the salary due to such individual and other related expenses of Airline in connection therewith. If the Term ends part way through any calendar year, Airline shall provide LMGC with a proportionate rebate of the amount so paid. In addition, if at any time such position remains vacant during a calendar year for more than 60 days in aggregate or such individual fails to fulfil

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the responsibilities set out in Schedule E, LMGC shall also be entitled to a proportionate rebate of the amount paid based on the total period during which such position remained vacant or during which such individual so failed to fulfil such responsibilities.

ARTICLE 3
TERM

3.1 TERM. This Agreement shall be come into effect as of May 1, 2000 and shall continue in full force and effect thereafter until December 31, 2004, at which time this Agreement shall terminate, provided that Airline shall still be bound to honour any Special Tickets purchased hereunder on or prior to the termination date which have a travel date which occurs thereafter and shall comply with Section 1.6 in connection therewith notwithstanding such termination.

3.2 BREACH. If either party hereto fails to (i) pay any amounts when due and payable hereunder, and such failure continues for a period of fifteen Business Days after written notice of such failure referring to this Section 3.2 is given to such party by the other party; (ii) comply with Section 4.3 and such failure continues for a period of fifteen days after written notice of such failure referring to this Section 3.2 is given by the other party, or (iii) observe or perform any of its other obligations under this Agreement and such failure continues for a period of thirty days after written notice of such failure referring to this Section 3.2 is given by the other party, then without prejudice to any other rights or remedies the other party may have, this Agreement may be terminated by the other party by notice to the defaulting party so long as such failure is still continuing at the time of giving such notice.

3.3 ****

3.4 POST-TERMINATION RIGHTS. Notwithstanding any termination of this Agreement, the parties shall continue to be liable for all financial and other monetary obligations respectively incurred by each of them pursuant to this Agreement prior to such termination until the time each of such obligations shall have been fully satisfied, and exercise by either party of its right to terminate under any provision of this Agreement will not affect or impair its right to enforce its

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other rights or remedies under this Agreement. All obligations of each party that have accrued before termination or that are of a continuing nature will survive termination.

ARTICLE 4
CONFIDENTIALITY AND TRADE-MARKS

4.1 CONFIDENTIALITY.

(a) Throughout the Term and for a period of 5 years following the termination of this Agreement, each party will, and will cause each of its Representatives (as defined below) to, hold in strictest confidence and not use in any manner whatsoever and only disclose to those of its Representatives who have a need to know same for purposes of this Agreement, any Confidential Information (as defined below) of the other party, whether provided before or after the date of this Agreement, including any Confidential Information provided by LMGC to Airline in connection with Airline's initial determination of whether to enter into this Agreement; provided that the foregoing will not apply (i) to use by LMGC of its data base; (ii) where disclosure of Confidential Information is required by law or in order to enforce rights under or in connection with this Agreement or the subject matter hereof; (iii) where the Confidential Information which has been disclosed had already ceased to be confidential through no fault of the disclosing party or its Representatives; (iv) to disclosure by LMGC of any terms of this Agreement to its or its Affiliates' actual or prospective financiers or investors or otherwise in connection with a financing, including disclosing to any underwriter, potential purchasers of LMGC's or any of its Affiliate's shares or business and including their respective counsel, or (v) to disclosure by Airline to CAI, unless the CCAA Plan is not approved in which case Airline may not thereafter disclose Confidential Information of LMGC to CAI unless otherwise permitted hereunder. In addition, LMGC may disclose, on a confidential basis, the term of this Agreement, the existence of price increases hereunder and the percentage amount thereof (but not the actual fares), the confidentiality restrictions, termination events and provisions relating to **** to existing, future or prospective Sponsors or suppliers, and Airline may disclose, on a confidential basis, the term of this Agreement, the existence of price increases hereunder and the aggregate percentage amount thereof (but not the actual fares), the confidentiality restrictions, termination events and provisions relating to ****.

(b) "Confidential Information" of a party means all information and documents, whether on paper, in computer readable format or otherwise, relating to such party's business, which is or is treated by such party as being of a confidential nature (and is known or should have been known by the other party hereto as being of a confidential nature or being so treated) and has been or is from time to time made known to or is otherwise learned by the other party or any of its Representatives as a result of the relationship hereunder, including the terms (but not the existence) of this Agreement (including the pricing hereunder). In the case of LMGC, its Confidential Information will also include all information disclosed to or otherwise learned by Airline concerning the Program, the terms (including pricing) of the Terminated Supplier Agreement and the Short Term CAI Supplier Agreement and the existence or substance of and the background to any discussions among CAI, Airline and/or LMGC with regards to the subject

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matter hereof and termination of the Terminated Supplier Agreement, whether before or after the date hereof. "Representative" means, with respect to any party, any of its directors, officers or employees or outside auditors, lawyers or advertising or p.r. agencies, but for greater certainty, not any other outside consultants or agencies.

(c) If any party is served with a subpoena or other legal process or other governmental request requiring the production or disclosure of any Confidential Information, or for any other reason believes that it is required by law to disclose any Confidential Information of the other party, then that party will, before complying, promptly notify the other party and use all reasonable efforts to permit the other party a reasonable period of time to intervene and contest disclosure or production, and will in any event use all reasonable efforts to ensure confidential treatment of such Confidential Information if so disclosed.

4.2 ANNOUNCEMENTS. Airline acknowledges that LMGC intends to issue a news release forthwith after execution hereof substantially in the form attached as Schedule F, and consents thereto. Subject thereto, neither party shall issue any news releases in respect of the entering into of this Agreement or the background thereto, without the prior written consent of the other party, which consent shall not be unreasonably withheld. In addition, but subject to the exceptions as to confidentiality set forth in clauses (i) through (v) of Section 4.1(a), throughout the Term (i) Airline will refrain, and will use all reasonable efforts to ensure that its Representatives (as defined in Section 4.1) refrain, **** and (ii) LMGC will refrain, and will use all reasonable efforts to ensure that its Representatives (as defined in Section 4.1) refrain, ****

4.3 TRADE-MARKS.

(a) Except as otherwise provided herein or as required by law, neither LMGC nor Airline shall use any logo or trade-mark of the other without the prior written permission of the other. In addition, during the Initial Period, LMGC may use the name "Air Canada" in advertising or promotional material for purposes of identifying to current, future or potential Collectors or Sponsors the availability of Airline Seats from Airline as a redemption option and subject to the following restrictions ****

**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

(b) Notwithstanding the permission to use the name Air Canada as set forth in Section 4.3(a), Airline shall have the right to examine and to approve or disapprove in advance the contents and appearance of any advertising or promotional materials proposed to be used by LMGC which incorporate such name, but (i) Airline shall not unreasonably withhold or delay its approval of such materials, (ii) it shall in any event provide its decision as soon as possible and not later than 7 days after request therefor from LMGC, and (iii) upon providing any approval, no further approval will be required for subsequent materials which have the same or a substantially similar approach to the display of such name.

(c) Neither party shall have any liability for any breach of this Section 4.3 unless such breach continues for a period of fifteen days after written notice thereof referring to this Section 4.3 is given to such party by the other party demanding that such breach cease, and in any event, the maximum aggregate liability of either party for any breach of, or otherwise in connection with, this Section 4.3, whether on one or more than one occasion, is $****.

ARTICLE 5
WARRANTIES AND CCAA ****

5.1 WARRANTIES. Each of the parties hereto represents and warrants to the other party, that (i) the entering into, execution and delivery of this Agreement and the performance of its obligations hereunder have been duly and validly authorized and approved by all necessary corporate action on its part, (ii) no consent or approval of any other Person or of any court is required to the entry into, execution or delivery of this Agreement or to the performance of its obligations hereunder, except such as have been obtained, (iii) this Agreement has been validly executed and delivered by such party, and is a valid and legally binding obligation of such party enforceable against such party in accordance with its terms, subject to usual exceptions regarding bankruptcy and other laws affecting creditors rights generally and those with respect to specific performance and injunction, and (iv) there are no outstanding claims, litigation, arbitrations, investigations or other proceedings existing or, to the knowledge of each party, pending or threatened which would enjoin, restrict or prohibit performance by such party of its obligations hereunder.

5.2 INDEMNITY. Each party shall indemnify and hold the other party (and in the case of LMGC, any of its Subsidiaries who purchase tickets hereunder) and their respective directors, officers, employees and agents harmless from and against any and all losses, claims, damages, liabilities, costs, fees and other expenses whatsoever (including legal fees on a solicitor and his own client basis) suffered or incurred by the other party which arise from or are caused by the non-performance or improper performance of any obligations of such first party hereunder, or

**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

any breach or untruth of any of its representations or warranties contained herein, or, in the case of the indemnity in favour of LMGC, any liability of Airline or any Regional Airline to any Person for any injuries or damages which result from the provision or sale of any air transportation or related services and/or merchandise by or through Airline or any Regional Airline, to such Person.

5.3 CCAA PROCESS ****. The parties acknowledge that, by Assignment dated as of the date hereof, LMGC has assigned the Claim to Airline. ****

ARTICLE 6
GENERAL

6.1 ENTIRE AGREEMENT. This Agreement together with the Assignment between the parties of even date contains the entire agreement between the parties relating to the subject matter hereof and supersedes all previous agreements, understandings or arrangements, verbal or written, relating thereto. This Agreement may only be modified, superseded or amended by an agreement or modification in writing signed by both of the parties hereto.

6.2 UNCONDITIONAL OBLIGATION. Airline's obligation to comply herewith and provide Airline Seats to LMGC at the Special Fares and otherwise as contemplated thereby, is an independent obligation of Airline which shall apply notwithstanding any matter or thing affecting CAI, including any reorganization, bankruptcy, receivership or other proceeding affecting CAI and including the current proceedings under the CCAA affecting CAI (the "CCAA Proceedings"), the treatment of CAI's obligations in the CCAA Proceedings, the success or lack of success of the CCAA Proceedings, the treatment of the Claim in the CCAA Proceedings, whether or not the Claim is disputed by any other Person or Airline has the right to vote or receive distributions of the Claim in the CCAA Proceedings, and regardless of the amount of any recovery in respect of the Claim.

6.3 RELEASE. LMGC and Airline each release each other and their respective Affiliates, other than, for greater certainty, CAI, from all costs, damages and liability in connection with any matters which have occurred prior to the date of this Agreement with respect to the Terminated Supplier Agreement or any matter relating thereto.

6.4 INJUNCTION. Airline acknowledges that a breach of its obligations under any of Sections 1.1, 1.2, 1.3, 1.4, 1.6, 1.7, 4.1, 4.2 or 4.3 and LMGC acknowledges that a breach of any of its obligations under Sections 4.1, 4.2 or 4.3, will cause irreparable harm to the other party for

**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

which money damages alone will provide inadequate compensation. Accordingly, the parties agree that injunctive relief to prevent any such breaches or a mandatory order or specific performance requiring continued performance of the provisions in question, as applicable, is appropriate and necessary to prevent the continuation of such a breach.

6.5 SEVERABILITY AND TIME OF ESSENCE. If any provision of this Agreement is held by a court of competent jurisdiction or by any governmental agency or authority to be invalid, such holding shall not have the effect of invalidating the other provisions of this Agreement which shall nevertheless remain binding and effective between the parties. Time is of the essence hereof.

6.6 GOVERNING LAW. This Agreement shall be construed under and governed by the laws of the Province of Ontario and the laws of Canada applicable therein. The Parties hereto attorn to the non-exclusive jurisdiction of the courts of Ontario.

6.7 COSTS AND EXPENSES. ****

6.8 WAIVER. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof, but such waiver shall only be effective if evidenced by a writing signed by such party. A waiver on one occasion shall not be deemed to be a waiver of the same or of any other breach on any other occasion. Any previous waiver, forbearance, or course of dealing will not affect the right of either party to require strict performance of any provision of this Agreement.

6.9 SUCCESSORS AND ASSIGNS. Neither party may assign its rights or obligations hereunder without the prior written consent of the other, except that either party may, without consent, assign its rights hereunder (i) to any Affiliate either as part of a bona fide corporate reorganization, or a sale of all or substantially all of its assets, but no such assignment shall relieve such party from its obligations hereunder, and (ii) by way of security to any financier; provided that ****

**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

6.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed 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 faxed form and the parties hereto adopt any signatures received by a receiving fax machine as original signatures of the parties; provided, however, that any party providing its signature in such manner shall promptly forward to the other party an original of the signed copy of this Agreement which was so faxed.

IN WITNESS WHEROF the parties have executed this Agreement as of the date and year first above written.

LOYALTY MANAGEMENT GROUP CANADA INC.

By: ----------

Name: ----------

Title: ----------

AIR CANADA

By: ----------

Name: ----------

Title: ----------

SCHEDULE A

DEFINITIONS AND INTERPRETATION

In this Agreement (including the recitals hereto), the following terms shall have the following meanings:

"ADDITIONAL PERIOD" means the period from and including January 1, 2003 to and including December 31, 2004.

"AFFILIATE" has the meaning set out in the CANADA BUSINESS CORPORATIONS ACT.

"AGREEMENT" means this Agreement including the Schedules to this Agreement all as amended or supplemented from time to time.

"AIR CARRIER" means an airline or air carrier, or a Person which otherwise engages in the business of carrying passengers by air.

"AIRLINE" means Air Canada, its successors and permitted assigns.

"AIRLINE SEATS" means seats for travel on flights for any City Pair Served as operated by Airline or any Regional Airline.

****

"AMRM" means AIR MILESTM reward miles.

"BUSINESS DAY" means any day on which banks are open for business in Montreal, Quebec and Toronto, Ontario, excluding Saturdays, Sundays and statutory holidays in those cities.

"CCAA" means the COMPANIES CREDITORS ARRANGEMENT ACT.

"CCAA PLAN" means the proposed plan of compromise and arrangement of Canadian Airlines Corporation and CAI, intended to be filed with the Court of Queens Bench of Alberta on April 25, 2000, or any subsequent plan of compromise and arrangement issued by either or both of such Persons in connection with the CCAA Proceedings.

"CCAA PROCEEDINGS" has the meaning set out in Section 6.2.

"CAI" means Canadian Airlines International Ltd., its successors and permitted assigns.

"CITY PAIR" means two cities or other locations between which any Air Carrier offers scheduled service, whether domestic or international and whether or not non-stop or direct.

**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

"CITY PAIRS SERVED" means all City Pairs for which Airline or any Regional Airline (or any combination thereof) has, at the time in question, scheduled service, whether domestic or international.

"CLAIM" means the claim of LMGC and its subsidiaries against CAI assigned by LMGC to Airline.

"COLLECTOR" means any Person who is registered with LMGC as a collector of AMRM.

****

"INITIAL PERIOD" means the period from the date hereof to and including December 31, 2002.

"LMGC" means Loyalty Management Group Canada Inc., its successors and permitted assigns.

"LMG TRAVEL" means LMG Travel Services Limited and its successors.

****

"OTHER CLASS" has the meaning set out in Section 1.2(a).

"PERSON" includes an individual and his or her legal representatives, a corporation, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such government.

"PROGRAM" means the AIR MILESTM program established by LMGC in Canada.

"REGIONAL AIRLINES" means, at any time, each Affiliate of Airline which, at such time, is an Air Carrier, including for greater certainty, any Air Carrier which hereafter becomes an Affiliate of Airline (effective as of the date it becomes an Affiliate of Airline). Without limiting the foregoing, if the CCAA Plan is approved, CAI shall be deemed to be a Regional Airline, whether or not it is then an Affiliate of Airline.

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**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

"SHORT TERM CAI SUPPLIER AGREEMENT" means the letter agreement made as of the date hereof between LMGC and CAI providing for the termination of the Terminated Supplier Agreement and a new short term supplier arrangement between LMGC and CAI.

"SPECIAL FARES" means the fares set out in Schedule B.

"SPECIAL TICKETS" means tickets (including electronic tickets) for Airline Seats issued to passengers in connection with the Program.

"SPONSOR" means any Person granted a licence by LMGC or otherwise permitted by LMGC to issue or arrange for the issuance of AMRM.

"SUBSIDIARY" has the meaning set out in the CANADA BUSINESS CORPORATIONS ACT.

"TERM" means the period from the date hereof to the date this Agreement terminates.

"TERMINATED SUPPLIER AGREEMENT" means the Supplier Agreement made as of March 15, 1995 between LMGC and CAI, as amended.

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"**** CLASS" means the booking class maintained by Airline currently **** and designated as "**** class", or in the case of any Regional Airline which utilizes different booking classes, a booking class that is comparable in all material respects with **** Class, and in either event, any replacement class therefor established hereunder from time to time.

The division of this Agreement into Articles and Sections, the insertion of headings, and the provision of any table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless the context requires otherwise, (i) words importing the singular include the plural and vice versa and words importing gender include all genders, and (ii) references in this Agreement to Sections or Schedules are to Sections or Schedules of this Agreement. Except as otherwise expressly provided in the Agreement, all dollar amounts referred to in this Agreement are stated in Canadian dollars. In this Agreement, "including" means "including, without limitation" and "includes" means "includes without limitation".

**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

SCHEDULE B

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**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

SCHEDULE C

RESERVATIONS, COMMISSIONS AND TRAVEL RESTRICTIONS

1. Reservations, which must include round trip travel, must be made at least 14 days, but not more than 330 days, prior to planned departure date.

2. The return trip must be booked at the time a reservation is made for the outbound segment.

3. All round trip travel must be completed not later than 315 days after the date of reservation.

4. No blackout dates will be applicable for booking.

5. All travel must be on a round trip or an open jaw trip basis.

6. Each Special Ticket, which will not include en route stopovers, must include a Saturday night stayover at destination.

7. ****

8. All Special Tickets and Special Fares are subject to the tariff restrictions and Warsaw Convention Limitations, as applicable, with respect to (but only with respect to) limits of compensation for, damage to Persons or property.

The restrictions in clauses 1, 3, 5 and 6 shall not apply to tickets purchased under web specials as contemplated in Section 1.2(c).

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SCHEDULE D

OTHER COMMITMENTS

1. Gold Collectors shall receive a discount of 10% off the cost of any companion tickets purchased through LMGC or any of its Subsidiaries, up to a maximum of **** return trips each calendar year. For purposes hereof, a companion ticket means a ticket purchased in conjunction with the purchase of, and having the same itinerary as, a Special Ticket.

2. During each 12 month period in the Initial Period, Airline shall make available to LMGC, up to **** return trip Airline Seats, either on Airline's or a Regional Airline's flights, as selected by LMGC, to be used in connection with the Canadian Special Olympics. Such Airline Seats shall be made available to LMGC at the Special Fares. These seats are subject to regular availability of inventory as per this Agreement and use thereof by LMGC shall be included in determining bookings made by LMGC for purposes of Section 1.3 (b) and (c).

3. During each 12 month period in the Initial Period, Airline shall provide LMGC with **** return trips on City Pairs Served, either on Airline's or a Regional Airline's flights, to be used in connection with LMGC's Sponsor activities. Ten such return trips shall be provided to LMGC at no cost to LMGC and **** such return trips shall be provided to LMGC at a cost equivalent to AD ****. LMGC and Airline shall mutually agree to the destinations chosen for such return trips.

4. Airline shall make available to LMGC not less than **** (return trip) for each 12 month period of the Term, of which no less than **** shall be **** and the balance shall be ****.

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SCHEDULE E

JOB DESCRIPTION FOR LMGC OMBUDSMAN

OBJECTIVE

To maximize the inventory made available to LMGC under this Agreement.

TASKS

- Liasing between LMGC and Air Canada Revenue Management.
- ****
- ****
- ****
- Advising and reporting to LMGC of Air Canada's schedule ****.
- Identifying **** for LMGC.
- Implementing web specials and other potential marketing opportunities for LMGC at Air Canada.

AIR MILES CONTACT

- Speak with Reward Services at LMGC at least once a week.
- Meet with Reward Services at LMGC at least quarterly, at LMGC offices in Toronto.

QUALIFICATIONS

Minimum 3 years experience at Air Canada or Canadian Airlines in revenue management, planning or financial analysis (if possible).

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SCHEDULE F

LMGC NEWS RELEASE

FOR IMMEDIATE RELEASE

AIR MILES PROGRAM REACHES AGREEMENT WITH AIR CANADA
COLLECTORS CAN NOW FLY ON CANADIAN AIRLINES AND AIR CANADA

TORONTO, Ontario - April 26, 2000 - The Loyalty Group, operator of the AIR MILES Reward Program, today announced it has reached an agreement with Canadian Airlines and Air Canada that will allow it to offer reward flights on both airlines to AIR MILES Collectors across Canada.

"We are thrilled to be able to continue to offer travel on Canadian Airlines to our 11 million AIR MILES Collectors, and we welcome Air Canada as a new airline supplier to the AIR MILES Reward Program," said John Scullion, President and Chief Executive Officer, The Loyalty Group. "Canadian Airlines has always been a valued supplier to the Program, and we now look forward to extending that partnership with Air Canada," he added.

AIR MILES Collectors can continue to redeem their reward miles and book domestic flights on Canadian Airlines and international flights on our four other airline partners: American Airlines, KLM, Northwest Airlines and United Airlines. Collectors can redeem their reward miles for Air Canada flights beginning in May 2000.

Terms of the agreement are confidential and will not be disclosed. The Loyalty Group's claim in connection with Canadian Airlines' restructuring plan has been assigned to Air Canada as part of the new agreement with Air Canada.

The Loyalty Group launched the AIR MILES Reward Program in March 1992, offering Canadians the opportunity to collect AIR MILES reward miles while shopping for everyday goods and services. There are over 100 participating Sponsors across Canada representing over 12,000 retail locations. In addition to free flights, AIR MILES reward miles can be exchanged for over 100 different rewards from movie passes to attractions to merchandise like electronics, watches and toys.

For further information, contact:

John Wright
Senior Vice President
The Loyalty Group
(416) 228-6614

SCHEDULE G

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**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

SCHEDULE H

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**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

SCHEDULE I

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**** PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.