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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from _____ to _____

Commission File Number: 001-15749

**ALLIANCE DATA SYSTEMS
CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

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

**7500 Dallas Parkway, Suite 700
Plano, Texas 75024**
(Address of Principal Executive Office, Including Zip Code)

(214) 494-3000
(Registrant's Telephone Number, Including Area Code)

17655 Waterview Parkway, Dallas, Texas 75252
(Former name, former address and former fiscal year if changed since last report)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of August 4, 2010, 52,632,878 shares of common stock were outstanding.

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PART I

Item 1. Financial Statements.

ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
Cash and cash equivalents	\$ 250,335	\$ 213,378
Trade receivables, less allowance for doubtful accounts (\$4,307 and \$6,736 at June 30, 2010 and December 31, 2009, respectively)	209,609	225,212
Seller's interest	—	297,108
Credit card receivables:		
Credit card receivables—restricted for securitization investors	4,295,127	—
Other credit card receivables	748,341	671,182
Total credit card receivables	5,043,468	671,182
Allowance for loan loss	(526,845)	(54,884)
Credit card receivables, net	4,516,623	616,298
Deferred tax asset, net	339,993	197,455
Other current assets	116,663	201,427
Redemption settlement assets, restricted	476,629	574,004
Assets of discontinued operations	22,020	34,623
Total current assets	5,931,872	2,359,505
Property and equipment, net	157,593	165,012
Due from securitizations	—	775,570
Cash collateral, restricted	313,018	216,953
Intangible assets, net	283,124	316,597
Goodwill	1,161,953	1,166,275
Other non-current assets	199,074	225,755
Total assets	<u>\$ 8,046,634</u>	<u>\$ 5,225,667</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 125,534	\$ 103,891
Accrued expenses	108,565	128,012
Certificates of deposit	426,300	772,500
Asset-backed securities debt—owed to securitization investors	253,593	—
Current debt	269,403	51,963
Other current liabilities	86,946	88,716
Deferred revenue	967,308	984,930
Total current liabilities	2,237,649	2,130,012
Deferred revenue	160,249	161,216
Deferred tax liability, net	107,421	140,712
Certificates of deposit	672,600	692,500
Asset-backed securities debt—owed to securitization investors	3,099,165	—
Long-term and other debt	1,544,258	1,730,389
Other liabilities	190,503	98,062
Total liabilities	8,011,845	4,952,891
Stockholders' equity:		
Common stock, \$0.01 par value; authorized 200,000 shares; issued 92,616 shares and 91,121 shares at June 30, 2010 and December 31, 2009, respectively	926	911
Additional paid-in capital	1,288,348	1,235,669
Treasury stock, at cost (39,379 and 38,922 shares at June 30, 2010 and December 31, 2009, respectively)	(1,956,951)	(1,931,102)
Retained earnings	715,955	1,033,039
Accumulated other comprehensive loss	(13,489)	(65,741)
Total stockholders' equity	34,789	272,776
Total liabilities and stockholders' equity	<u>\$ 8,046,634</u>	<u>\$ 5,225,667</u>

See accompanying notes to unaudited condensed consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands, except per share amounts)			
Revenues				
Transaction	\$ 69,341	\$ 94,695	\$ 145,942	\$ 189,133
Redemption	127,709	114,009	266,386	226,156
Securitization income	—	93,219	—	216,622
Finance charges, net	319,269	11,178	625,626	29,010
Database marketing fees and direct marketing services	134,972	119,679	260,163	235,288
Other revenue	18,427	24,759	35,138	40,781
Total revenue	<u>669,718</u>	<u>457,539</u>	<u>1,333,255</u>	<u>936,990</u>
Operating expenses				
Cost of operations	357,704	326,567	717,827	647,860
General and administrative	21,509	19,214	43,673	47,033
Provision for loan loss	95,704	—	184,585	—
Depreciation and other amortization	16,580	15,300	32,905	30,351
Amortization of purchased intangibles	17,841	15,815	35,687	30,063
Merger costs (reimbursements)	—	64	—	(516)
Total operating expenses	<u>509,338</u>	<u>376,960</u>	<u>1,014,677</u>	<u>754,791</u>
Operating income	160,380	80,579	318,578	182,199
Interest expense:				
Securitization funding costs	43,606	—	85,225	—
Interest expense on certificates of deposit	7,604	6,803	16,202	13,184
Interest expense on long-term and other debt, net	32,638	27,304	65,127	52,210
Total interest expense, net	<u>83,848</u>	<u>34,107</u>	<u>166,554</u>	<u>65,394</u>
Income from continuing operations before income taxes	76,532	46,472	152,024	116,805
Provision for income taxes	29,212	18,085	58,050	45,369
Income from continuing operations	47,320	28,387	93,974	71,436
Income (loss) from discontinued operations, net of taxes	—	1,049	—	(14,145)
Net income	<u>\$ 47,320</u>	<u>\$ 29,436</u>	<u>\$ 93,974</u>	<u>\$ 57,291</u>
Basic income (loss) per share:				
Income from continuing operations	\$ 0.89	\$ 0.50	\$ 1.78	\$ 1.21
Income (loss) from discontinued operations	—	0.02	—	(0.24)
Net income per share	<u>\$ 0.89</u>	<u>\$ 0.52</u>	<u>\$ 1.78</u>	<u>\$ 0.97</u>
Diluted income (loss) per share:				
Income from continuing operations	\$ 0.83	\$ 0.49	\$ 1.67	\$ 1.20
Income (loss) from discontinued operations	—	0.02	—	(0.24)
Net income per share	<u>\$ 0.83</u>	<u>\$ 0.51</u>	<u>\$ 1.67</u>	<u>\$ 0.96</u>
Weighted average shares:				
Basic	53,188	56,918	52,820	59,027
Diluted	<u>56,821</u>	<u>57,808</u>	<u>56,122</u>	<u>59,749</u>

See accompanying notes to unaudited condensed consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	June 30,	
	2010	2009
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 93,974	\$ 57,291
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	68,592	60,482
Deferred income taxes	19,973	28,756
Provision for loan loss	184,585	24,640
Non-cash stock compensation	23,021	28,747
Fair value loss on interest-only strip	—	4,040
Fair value loss on interest rate derivatives	5,384	—
Amortization of discount on convertible senior notes	32,162	22,224
Loss on the sale of assets	—	18,018
Change in operating assets and liabilities, net of acquisitions:		
Change in trade accounts receivable	2,619	17,892
Change in merchant settlement activity	—	(7,901)
Change in other assets	24,833	(8,009)
Change in accounts payable and accrued expenses	(668)	(80,973)
Change in deferred revenue	(5,169)	(12,980)
Change in other liabilities	11,865	3,552
Proceeds from the sale of credit card receivable portfolios to the securitization trusts	—	53,240
Excess tax benefits from stock-based compensation	(11,416)	(603)
Other	(3,260)	4,669
Net cash provided by operating activities	<u>446,495</u>	<u>213,085</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in redemption settlement assets	16,927	29,684
Change in seller's interest	—	7,298
Change in credit card receivables	276,446	(146,796)
Change in cash collateral, restricted	(95,053)	77,732
Change in restricted cash	21,802	(63,359)
Change in due from securitizations	—	(137,697)
Capital expenditures	(31,512)	(24,243)
Proceeds from the sale of assets	—	8,013
Other	(3,699)	(67)
Net cash provided by (used in) investing activities	<u>184,911</u>	<u>(249,435)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under debt agreements	555,000	1,950,000
Proceeds from issuance of convertible senior notes due 2014	—	345,000
Repayment of borrowings	(544,346)	(1,949,864)
Issuances of certificates of deposit	94,000	565,200
Repayments of certificates of deposit	(460,100)	(456,300)
Proceeds from asset-backed securities	411,945	—
Maturities of asset-backed securities	(745,120)	—
Payment of capital lease obligations	(11,476)	(10,737)
Payment of deferred financing costs	(730)	(17,232)
Excess tax benefits from stock-based compensation	11,416	603
Proceeds from issuance of common stock	29,631	4,912
Proceeds from issuance of warrants	—	30,050
Payments for convertible note hedges	—	(80,765)
Payments for prepaid forward contracts	—	(74,872)
Purchase of treasury shares	(14,520)	(314,055)
Net cash used in financing activities	<u>(674,300)</u>	<u>(8,060)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,702)	5,922
Change in cash and cash equivalents	(44,596)	(38,488)
Cash effect on adoption of ASC 860 and ASC 810	81,553	—
Cash and cash equivalents at beginning of period	213,378	156,911
Cash and cash equivalents at end of period	<u>\$ 250,335</u>	<u>\$ 118,423</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ 119,290</u>	<u>\$ 41,635</u>
Income taxes paid, net	<u>\$ 16,897</u>	<u>\$ 41,118</u>

See accompanying notes to unaudited condensed consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements included herein have been prepared by Alliance Data Systems Corporation (“ADSC” or, including its wholly owned subsidiaries and its consolidated variable interest entities, the “Company”), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report filed on Form 10-K for the year ended December 31, 2009, filed with the SEC on March 1, 2010.

The unaudited condensed consolidated financial statements included herein reflect all adjustments (consisting of normal, recurring adjustments) which are, in the opinion of management, necessary to state fairly the results for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the operating results to be expected for any subsequent interim period or for the fiscal year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (1) the reported amounts of assets; (2) liabilities and disclosure of contingent assets and liabilities at the date of the financial statements; and (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For purposes of comparability, certain prior period amounts have been reclassified to conform to the current year presentation. See Note 2, “Change in Accounting Principle,” for information on the adoption of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 860, “Transfers and Servicing,” and ASC 810, “Consolidation.”

In the first quarter of 2010, the Company reorganized its segments with Private Label Services and Private Label Credit reflected as one segment. All prior year segment information has been restated to conform to the current presentation. In addition, the Company renamed its other two segments from Epsilon Marketing Services and Loyalty Services to “Epsilon” and “LoyaltyOne,” respectively.

In February 2009, the Company sold the remainder of its utility services division, which was reflected as a discontinued operation. In November 2009, the Company terminated operations of its credit program for web and catalog retailer VENUE. Prior period information has been restated to reflect the termination of VENUE as a discontinued operation.

2. CHANGE IN ACCOUNTING PRINCIPLE

In June 2009, the FASB issued guidance codified in ASC 860 related to accounting for transfers of financial assets and ASC 810 related to the consolidation of variable interest entities (“VIEs”). ASC 860 removed the concept of qualifying special purpose entity (“QSPE”) and eliminated the consolidation exemption that was then available for QSPEs. ASC 810 requires an initial evaluation as well as an ongoing assessment of the Company’s involvement in the activities of World Financial Network Credit Card Master Trust (“Master Trust”), World Financial Network Credit Card Master Note Trust (“Master Trust I”), World Financial Network Credit Card Master Note Trust II (“Master Trust II”) and World Financial Network Credit Card Master Trust III (“Master Trust III”) (collectively, the “WFN Trusts”), and World Financial Capital Credit Card Master Note Trust (the “WFC Trust”) and the Company’s rights or obligations to receive benefits or absorb losses of the trusts that could

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

be potentially significant in order to determine whether those VIEs are required to be consolidated on the balance sheets of World Financial Network National Bank (“WFNNB”), World Financial Capital Bank (“WFCB”) or their affiliates, including ADSC.

On January 1, 2010, the Company adopted ASC 860 and ASC 810 on a prospective basis, resulting in the consolidation of the WFN Trusts and the WFC Trust. Based on the carrying amounts of the WFN Trusts’ and the WFC Trust’s assets and liabilities as prescribed by ASC 810, the Company recorded an increase in assets of approximately \$3.4 billion, including \$0.5 billion to loan loss reserves, an increase in liabilities of approximately \$3.7 billion and a \$0.4 billion decrease in stockholders’ equity.

After adoption, the Company’s consolidated statements of income no longer reflect securitization income, but instead reflect finance charges and certain other income associated with the securitized credit card receivables. Net charge-offs associated with credit card receivables impact the Company’s provision for loan loss reflected in the Company’s total operating expenses. Interest expense associated with debt issued from the WFN Trusts and the WFC Trust to third-party investors is reported in securitization funding costs. Additionally, the Company no longer records initial gains on new securitization activity since securitized credit card loans no longer receive sale accounting treatment, nor are there any gains or losses on the revaluation of the interest-only strip receivable, as that asset is not recognized in a transaction accounted for as a secured borrowing. Since the Company’s securitization transactions are accounted for under the new accounting rules as secured borrowings rather than asset sales, the cash flows from these transactions are presented as cash flows from financing activities rather than cash flows from operating or investing activities.

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

In October 2009, the FASB issued Accounting Standards Update (“ASU”) 2009-13, “Multiple-Deliverable Revenue Arrangements,” which supersedes certain guidance in ASC 605-25, “Revenue Recognition — Multiple-Element Arrangements,” and requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices (the relative-selling-price method). ASU 2009-13 eliminates the use of the residual method of allocation in which the undelivered element is measured at its estimated selling price and the delivered element is measured as the residual of the arrangement consideration, and requires the relative-selling-price method in all circumstances in which an entity recognizes revenue for an arrangement with multiple deliverables subject to ASU 2009-13. ASU 2009-13 will be effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. If the Company elects early adoption and the adoption is during an interim period, the Company will be required to apply this ASU retrospectively from the beginning of the Company’s fiscal year. The Company can also elect to apply this ASU retrospectively for all periods presented. The Company is currently evaluating the impact that the adoption of ASU 2009-13 will have on its consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, “Fair Value Measurements and Disclosures,” which amends ASC 820, “Fair Value Measurements and Disclosures,” to add separate disclosures about purchases, sales, issuances and settlements related to Level 3 measurements. The requirement to provide the Level 3 disclosures about purchases, sales, issuances and settlements will be effective for interim and annual periods beginning after December 15, 2010. The adoption of ASU 2010-06 for the separate Level 3 disclosures will only impact disclosures and will not have a material impact on the Company’s consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In July 2010, the FASB issued ASU 2010-20, “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,” which amends ASC 310, “Receivables,” to require further disaggregated disclosures that improve financial statement users’ understanding of (1) the nature of an entity’s credit risk associated with its financing receivables and (2) the entity’s assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and the reasons for those changes. The new and amended disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The adoption of ASU 2010-20 will only impact disclosures and will not have a material impact on the Company’s consolidated financial statements.

4. SHARES USED IN COMPUTING NET INCOME PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands, except per share amounts)			
Numerator				
Income from continuing operations	\$47,320	\$28,387	\$93,974	\$ 71,436
Income (loss) from discontinued operations, net of taxes	—	1,049	—	(14,145)
Net income	<u>\$47,320</u>	<u>\$29,436</u>	<u>\$93,974</u>	<u>\$ 57,291</u>
Denominator				
Weighted average shares, basic	53,188	56,918	52,820	59,027
Weighted average effect of dilutive securities:				
Shares from assumed conversion of convertible senior notes	2,295	—	1,950	—
Net effect of dilutive stock options and unvested restricted stock	<u>1,338</u>	<u>890</u>	<u>1,352</u>	<u>722</u>
Denominator for diluted calculation	<u>56,821</u>	<u>57,808</u>	<u>56,122</u>	<u>59,749</u>
Basic				
Income from continuing operations per share	\$ 0.89	\$ 0.50	\$ 1.78	\$ 1.21
Income (loss) from discontinued operations per share	—	0.02	—	(0.24)
Net income per share	<u>\$ 0.89</u>	<u>\$ 0.52</u>	<u>\$ 1.78</u>	<u>\$ 0.97</u>
Diluted				
Income from continuing operations per share	\$ 0.83	\$ 0.49	\$ 1.67	\$ 1.20
Income (loss) from discontinued operations per share	—	0.02	—	(0.24)
Net income per share	<u>\$ 0.83</u>	<u>\$ 0.51</u>	<u>\$ 1.67</u>	<u>\$ 0.96</u>

The Company calculates the effect of its convertible senior notes, which can be settled in cash or shares of common stock, on diluted net income per share as if they will be settled in cash as the Company has the intent to settle the convertible senior notes in cash. At June 30, 2010 and 2009, the Company excluded, in each case, 17.5 million warrants from the calculation of net income per share as the effect was anti-dilutive.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the second quarter of 2009, the Company entered into prepaid forward contracts to purchase 1,857,400 shares of its common stock for \$74.9 million that are to be delivered over a settlement period in 2014. The number of shares to be delivered under the prepaid forward contracts is used to reduce weighted average basic and diluted shares outstanding.

5. CREDIT CARD RECEIVABLES

Beginning January 1, 2010, the Company's credit card securitization trusts, the WFN Trusts and the WFC Trust, were consolidated on the balance sheets of WFNFB, WFCB or their affiliates, including ADSC, under ASC 860 and ASC 810. The WFN Trusts' and the WFC Trust's credit card receivables are reported in credit card receivables — restricted for securitization investors. Retained interests in the WFN Trusts and the WFC Trust have been reclassified, derecognized or eliminated in the unaudited condensed consolidated balance sheets with the adoption of ASC 860 and ASC 810.

The tables below present quantitative information about the components of total credit card receivables and delinquencies:

	June 30, 2010	December 31, 2009
	(In millions)	
Principal receivables	\$4,816.0	\$ 5,332.8
Billed and accrued finance charges	203.3	155.7
Other receivables	24.2	21.0
Total credit card receivables	5,043.5	5,509.5
Less credit card receivables—restricted for securitization investors	4,295.1	4,838.3
Other credit card receivables	\$ 748.4	\$ 671.2
Principal amount of credit card receivables 90 days or more past due	\$ 115.8	\$ 157.4

Net charge-offs of credit card receivables were \$112.4 million and \$103.6 million for the three months ended June 30, 2010 and 2009, respectively, and \$234.7 million and \$197.5 million for the six months ended June 30, 2010 and 2009, respectively.

Allowance for Loan Loss

Management evaluates the allowance for loan loss monthly for adequacy. The allowance is maintained through an adjustment to the provision for loan loss. In estimating losses inherent in the credit card portfolio, management uses an approach that utilizes a migration analysis of delinquent and current credit card receivables. A migration analysis is a technique used to estimate the likelihood that a credit card receivable will progress through the various stages of delinquency and to charge-off. The migration analysis considers uncollectible principal, interest and fees reflected in credit card receivables. In determining the proper level of the allowance for loan loss, management also considers factors that may impact loan loss experience, including seasoning, loan volume and amounts, payment rates and forecasting uncertainties.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Changes in the allowance for loan loss on credit card receivables for the six months ended June 30, 2010 and the year ended December 31, 2009 were as follows:

	June 30, 2010	December 31, 2009
	(In thousands)	
Balance at beginning of period	\$ 54,884	\$ 38,124
Adoption of ASC 860 and ASC 810	523,950	—
Provision for loan loss	182,701	52,259
Charge-offs, net of recoveries	(234,690)	(35,499)
Balance at end of period	<u>\$ 526,845</u>	<u>\$ 54,884</u>

The provision for loan loss expense was \$95.7 million and \$184.6 million for the three and six months ended June 30, 2010, respectively, which includes \$1.0 million and \$1.9 million of credit card fraud losses, respectively. The provision for loan loss expense was \$10.9 million and \$19.5 million for the three and six months ended June 30, 2009, respectively, for the Company's on-balance sheet credit card receivables. These amounts were netted against securitization income in 2009.

Securitized Credit Card Receivables

The Company regularly securitizes its credit card receivables to the WFN Trusts and the WFC Trust. The Company continues to own and service the accounts that generate credit card receivables held by the WFN Trusts and the WFC Trust. In its capacity as a servicer, each of the respective banks earns a fee from the WFN Trusts and the WFC Trust to service and administer the credit receivables, collect payments, and charge-off uncollectible receivables. Upon consolidation of the WFN Trusts and the WFC Trust, this fee was eliminated.

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

	June 30, 2010	December 31, 2009
	(In millions)	
Total credit card receivables—restricted for securitization investors	<u>\$4,295.1</u>	<u>\$ 4,838.3</u>
Principal amount of credit card receivables—restricted for securitization investors, 90 days or more past due	<u>\$ 104.7</u>	<u>\$ 148.2</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In millions)			
Net securitized charge-offs	\$ 97.9	\$ 93.1	\$206.0	\$180.9

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

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The table below summarizes certain cash flows received from and paid to the securitization trusts when transfers of credit card receivables to the securitization trusts were treated as sales prior to the adoption of ASC 860 and ASC 810:

	Three Months Ended June 30, 2009	(In millions)	Six Months Ended June 30, 2009
Proceeds from collections reinvested in previous credit card securitizations	\$ 1,193.2		\$ 2,284.1
Proceeds from new securitizations	708.9		1,068.6
Proceeds from collections reinvested in revolving period transfers	1,560.1		3,180.5
Servicing fees received	17.7		36.0

6. REDEMPTION SETTLEMENT ASSETS

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

	June 30, 2010				December 31, 2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)							
Cash and cash equivalents	\$ 45,016	\$ —	\$ —	\$ 45,016	\$ 71,641	\$ —	\$ —	\$ 71,641
Government bonds	50,758	1,059	(35)	51,782	41,026	1,205	—	42,231
Corporate bonds ⁽¹⁾	374,992	5,344	(505)	379,831	453,447	8,473	(1,788)	460,132
Total	<u>\$ 470,766</u>	<u>\$ 6,403</u>	<u>\$ (540)</u>	<u>\$ 476,629</u>	<u>\$ 566,114</u>	<u>\$ 9,678</u>	<u>\$ (1,788)</u>	<u>\$ 574,004</u>

⁽¹⁾ Included in corporate bonds at December 31, 2009 is an investment in retained interests in the WFN Trusts with a fair value of \$73.9 million. Upon adoption of ASC 860, these amounts were eliminated with the consolidation of the WFN Trusts, and therefore not reflected in the unaudited condensed consolidated balance sheets as of June 30, 2010.

The following tables show the gross unrealized losses and fair value for those investments that were in an unrealized loss position as of June 30, 2010 and December 31, 2009, aggregated by investment category and the length of time that individual securities have been in a continuous loss position:

	Less than 12 months		June 30, 2010 12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Government bonds	\$ 9,377	\$ (35)	\$ —	\$ —	\$ 9,377	\$ (35)
Corporate bonds	65,508	(505)	—	—	65,508	(505)
Total	<u>\$ 74,885</u>	<u>\$ (540)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 74,885</u>	<u>\$ (540)</u>

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Less than 12 months		December 31, 2009 12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate bonds	\$98,448	\$ (1,646)	\$ 7,705	\$ (142)	\$106,153	\$ (1,788)
Total	\$98,448	\$ (1,646)	\$ 7,705	\$ (142)	\$106,153	\$ (1,788)

Market values were determined for each individual security in the investment portfolio. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the security's issuer, and the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company typically invests in highly-rated securities with low probabilities of default and has the ability to hold the investments until maturity. As of June 30, 2010, the Company does not consider the investments to be other-than-temporarily impaired.

The net carrying value and estimated fair value of the securities at June 30, 2010 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Due in one year or less	\$ 217,902	\$ 219,689
Due after one year through five years	252,864	256,940
Total	\$ 470,766	\$ 476,629

ALLIANCE DATA SYSTEMS CORPORATION
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7. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

Intangible assets consist of the following:

	June 30, 2010			Amortization Life and Method
	Gross Assets	Accumulated Amortization (In thousands)	Net	
<i>Finite Lived Assets</i>				
Customer contracts and lists	\$ 186,428	\$ (134,092)	\$ 52,336	5-10 years—straight line
Premium on purchased credit card portfolios	151,430	(53,170)	98,260	3-10 years—straight line, accelerated
Collector database	65,752	(56,474)	9,278	30 years—15% declining balance
Customer database	160,200	(65,509)	94,691	4-10 years—straight line
Noncompete agreements	2,514	(2,191)	323	3-5 years—straight line
Tradenames	11,615	(4,309)	7,306	4-10 years—straight line
Purchased data lists	18,816	(10,236)	8,580	1-5 years—straight line, accelerated
	<u>\$ 596,755</u>	<u>\$ (325,981)</u>	<u>\$ 270,774</u>	
<i>Indefinite Lived Assets</i>				
Tradenames	12,350	—	12,350	Indefinite life
Total intangible assets	<u>\$ 609,105</u>	<u>\$ (325,981)</u>	<u>\$ 283,124</u>	
	December 31, 2009			Amortization Life and Method
	Gross Assets	Accumulated Amortization (In thousands)	Net	
<i>Finite Lived Assets</i>				
Customer contracts and lists	\$ 186,428	\$ (121,540)	\$ 64,888	5-10 years—straight line
Premium on purchased credit card portfolios	155,227	(46,936)	108,291	3-10 years—straight line, accelerated
Collector database	66,541	(56,316)	10,225	30 years—15% declining balance
Customer database	160,564	(57,043)	103,521	4-10 years—straight line
Noncompete agreements	2,522	(1,986)	536	3-5 years—straight line
Tradenames	11,658	(3,674)	7,984	4-10 years—straight line
Purchased data lists	17,178	(8,376)	8,802	1-5 years—straight line, accelerated
	<u>\$ 600,118</u>	<u>\$ (295,871)</u>	<u>\$ 304,247</u>	
<i>Indefinite Lived Assets</i>				
Tradenames	12,350	—	12,350	Indefinite life
Total intangible assets	<u>\$ 612,468</u>	<u>\$ (295,871)</u>	<u>\$ 316,597</u>	

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Goodwill

The changes in the carrying amount of goodwill for the six months ended June 30, 2010 are as follows:

	<u>LoyaltyOne</u>	<u>Epsilon</u>	<u>Private Label Services and Credit (In thousands)</u>	<u>Corporate/ Other</u>	<u>Total</u>
December 31, 2009	\$ 234,613	\$ 669,930	\$ 261,732	\$ —	\$1,166,275
Effects of foreign currency translation	(2,642)	(1,680)	—	—	(4,322)
June 30, 2010	<u>\$ 231,971</u>	<u>\$ 668,250</u>	<u>\$ 261,732</u>	<u>\$ —</u>	<u>\$1,161,953</u>

8. DEBT

Debt consists of the following:

<u>Description</u>	<u>June 30, 2010</u>	<u>December 31, 2009</u>	<u>Maturity</u>	<u>Interest Rate</u>
	(In thousands)			
<i>Long-term and other debt:</i>				
Credit facility	\$ 500,000	\$ 487,000	March 2012	(1)
Senior notes	250,000	250,000	May 2011	6.14%
2009 Term loan	161,000	161,000	March 2012	(2)
Convertible senior notes due 2013	635,144	612,058	August 2013	1.75%
Convertible senior notes due 2014	247,945	238,869	May 2014	4.75%
Capital lease obligations and other debt	19,572	33,425	July 2010 – July 2013 ⁽³⁾	5.20% to 8.10% ⁽³⁾
	<u>1,813,661</u>	<u>1,782,352</u>		
Less: current portion	(269,403)	(51,963)		
Long-term portion	<u>\$1,544,258</u>	<u>\$1,730,389</u>		
<i>Certificates of deposit:</i>				
Certificates of deposit	\$1,098,900	\$1,465,000	One year to five years	0.50% to 5.25%
Less: current portion	(426,300)	(772,500)		
Long-term portion	<u>\$ 672,600</u>	<u>\$ 692,500</u>		
<i>Asset-backed securities debt—owed to securitization investors:⁽⁴⁾</i>				
Fixed rate asset-backed term note securities	\$1,489,065	\$ —	July 2010 – July 2013	2.36% to 7.00%
Floating rate asset-backed term note securities	1,216,633	—	August 2010 – April 2013	0.48% to 7.85% ⁽⁵⁾
Conduit asset-backed securities	647,060	—	June 2011– September 2011	1.88% to 2.69%
Total asset-backed securities—owed to securitization investors	3,352,758	—		
Less: current portion	(253,593)	—		
Long-term portion	<u>\$3,099,165</u>	<u>\$ —</u>		

⁽¹⁾ The Company maintains a \$750.0 million unsecured revolving credit facility (the “Credit Facility,”) where advances are in the form of either base rate loans or Eurodollar loans and may be denominated in Canadian dollars, subject to a sublimit, or U.S. dollars. The interest rate for base loans is the higher of (a) the Bank of Montreal’s prime rate, (b) the Federal funds rate plus 0.5%, and (c) the quoted London Interbank Offered

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Rate (“LIBOR”) as defined in the credit agreement plus 1.0%. The interest rate for Eurodollar loans denominated in U.S. or Canadian dollars fluctuates based on the rate at which deposits of U.S. dollars or Canadian dollars, respectively, in the London interbank market are quoted plus a margin of 0.4% to 0.8% based upon the Company’s senior leverage ratio as defined in the Credit Facility. Total availability under the Credit Facility at June 30, 2010 was \$250.0 million. At June 30, 2010, the amounts outstanding under the Credit Facility were based on Eurodollar loans where the weighted average interest rate was 0.75%.

- (2) Advances under the term loan agreement, dated May 15, 2009 (the “2009 Term Loan”), are in the form of either base rate loans or Eurodollar loans. The interest rate for base rate loans fluctuates and is equal to the highest of (a) Bank of Montreal’s prime rate; (b) the Federal funds rate plus 0.5%; and (c) the quoted LIBOR as defined in the 2009 Term Loan agreement plus 1.0%, in each case plus a margin of 2.0% to 3.0% based upon the Company’s senior leverage ratio as defined in the 2009 Term Loan agreement. The interest rate of Eurodollar loans fluctuates based on the rate at which deposits of U.S. dollars in the London interbank market are quoted plus a margin of 3.0% to 4.0% based on the Company’s senior leverage ratio as defined in the 2009 Term Loan. At June 30, 2010, the amounts outstanding under the 2009 Term Loan were based on Eurodollar loans where the weighted average interest rate was 3.35%.
- (3) The Company has other minor borrowings, primarily capital leases, with varying interest rates and maturities.
- (4) Upon adoption of ASC 860 and ASC 810, the Company consolidated the WFN Trusts and the WFC Trust and the related asset-backed securities debt. See Note 2, “Change in Accounting Principle,” for more information on the adoption of ASC 860 and ASC 810.
- (5) Interest rates include those for certain of the Company’s asset-backed securities — owed to securitization investors where floating rate debt is fixed through interest rate swap agreements. The weighted average interest rate of the fixed rate achieved through interest rate swap agreements is 4.45% at June 30, 2010.

As of June 30, 2010, the Company was in compliance with its financial covenants.

Credit Facility

On June 18, 2010, the Company amended its Credit Facility to clarify the application of ASC 860 and ASC 810 with respect to the calculation of covenant compliance.

2009 Term Loan

On June 18, 2010, the Company amended its 2009 Term Loan to clarify the application of ASC 860 and ASC 810 with respect to the calculation of covenant compliance. In addition, the amendment removed the prepayments that were required beginning June 30, 2010 and now provides that principal payments be paid at maturity, March 30, 2012.

Convertible Senior Notes

The table below summarizes the carrying value of the components of the convertible senior notes:

	June 30, 2010	December 31, 2009
	(In thousands)	
Carrying amount of equity component	\$ 368,678	\$ 368,678
Principal amount of liability component	\$1,150,000	\$ 1,150,000
Unamortized discount	(266,911)	(299,073)
Net carrying value of liability component	\$ 883,089	\$ 850,927
If-converted value of common stock	\$1,042,086	\$ 1,130,852

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The discount on the liability component will be amortized as interest expense over the remaining life of the convertible senior notes which is a weighted average period of 3.3 years.

Interest expense on the convertible senior notes recognized in the Company's unaudited condensed consolidated statements of income for the three and six months ended June 30, 2010 and 2009 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Interest expense calculated on contractual interest rate	\$ 7,618	\$ 4,796	\$15,237	\$ 8,318
Amortization of discount on liability component	16,301	11,870	32,162	22,224
Total interest expense on convertible senior notes	\$23,919	\$16,666	\$47,399	\$30,542
Effective interest rate (annualized)	11.0%	11.0%	11.0%	11.0%

Asset-backed Securities — Owed to Securitization Investors

An asset-backed security is a security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets. The sale of the pool of underlying assets to general investors is accomplished through a securitization process.

The Company regularly sells its credit card receivables to its securitization trusts, the WFN Trusts and the WFC Trust. Beginning January 1, 2010, the WFN Trusts and the WFC Trust were consolidated on the balance sheets of the Company, under ASC 860 and ASC 810. See Note 2, "Change in Accounting Principle," for more information on the adoption of ASC 860 and ASC 810. The liabilities of the consolidated VIEs include asset-backed securities for which creditors or beneficial interest holders do not have recourse to the general credit of the Company.

Asset-backed Term Notes

In March 2010, Master Trust II issued \$100.8 million of term asset-backed securities to investors. The offering consisted of \$65.0 million of Class A Series 2010-1 asset-backed notes that have a fixed interest rate of 4.2% per year, \$9.8 million of Class M Series 2010-1 asset-backed notes that have a fixed interest rate of 5.3% per year, \$6.6 million of Class B Series 2010-1 asset-backed notes that have a fixed interest rate of 6.3% per year, \$11.6 million of Class C Series 2010-1 asset-backed notes that have a fixed interest rate of 7.0% per year and \$7.8 million of Class D Series 2010-1 zero-coupon notes which were retained by the Company. The Class A notes will mature in November 2012, the Class M notes will mature in December 2012, the Class B notes will mature in January 2013, the Class C notes will mature in February 2013 and the Class D notes will mature in March 2013. With the consolidation of the WFN Trusts, the Class D Series 2010-1 notes are eliminated from the unaudited condensed consolidated financial statements.

Conduit Facilities

During the first quarter of 2010, the Company renewed its \$550.0 million 2009-VFC1 conduit facility under Master Trust III, extending the maturity to September 30, 2011.

During the second quarter of 2010, the Company renewed its \$1.2 billion 2009-VFN conduit facility under Master Trust I, extending the maturity to June 23, 2011, and its \$275.0 million 2009-VFN conduit facility under the WFC Trust, extending the maturity to June 3, 2011.

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The following table shows the maturities of borrowing commitments as of June 30, 2010 for the WFN Trusts and the WFC Trust by year:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 & Thereafter</u>	<u>Total</u>
	(In millions)					
Term notes	\$ 211.4	\$ 1,158.9	\$ 805.2	\$ 925.7	\$ —	\$ 3,101.2
Conduit facilities ⁽¹⁾	—	2,447.8	—	—	—	2,447.8
Total⁽²⁾	\$ 211.4	\$ 3,606.7	\$ 805.2	\$ 925.7	\$ —	\$ 5,549.0

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

⁽²⁾ As of June 30, 2010, with the consolidation of the WFN Trusts and the WFC Trust, \$554.1 million of debt issued by the trusts and retained by the Company has been eliminated in the unaudited condensed consolidated financial statements.

Derivative Financial Instruments

The credit card securitization trusts have entered into derivative financial instruments, which include both interest rate swaps and an interest rate cap, to mitigate their interest rate risk on a related financial instrument or to lock the interest rate on a portion of its asset-backed variable debt. Effective January 1, 2010, the derivative financial instruments of the credit card securitization trusts were consolidated on the Company's balance sheets under ASC 860 and ASC 810.

As part of its interest rate risk management program, the Company may enter into derivative financial instruments with institutions that are established dealers and manage its exposure to changes in fair value of certain asset-backed security obligations attributable to changes in LIBOR. These interest rate contracts involve the receipt of fixed rate amounts from counterparties in exchange for the Company making variable rate payments over the life of the agreement without the exchange of the underlying notional amount. These interest rate contracts are not designated as hedges. Such contracts are not speculative and are used to manage interest rate risk, but do not meet the specific hedge accounting requirements of ASC 815, "Derivatives and Hedging."

The following tables identify the notional amount, fair value and classification of the Company's outstanding interest rate contracts at June 30, 2010 in the unaudited condensed consolidated balance sheets:

	<u>Notional Amount (in thousands)</u>	<u>Weighted Average Years to Maturity</u>
Interest rate contracts not designated as hedging instruments	\$ 1,216,633	2.1

	<u>Balance Sheet Location</u>	<u>Fair Value (in thousands)</u>
Interest rate contracts not designated as hedging instruments	Other current liabilities	\$ 323
Interest rate contracts not designated as hedging instruments	Other liabilities	\$ 83,616

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables identify the classification of the Company's outstanding interest rate contracts for the three and six months ended June 30, 2010 in the unaudited condensed consolidated statements of income:

<u>For the three months ended June 30, 2010</u>	<u>Income Statement Location</u>	<u>Loss on Derivative Contracts (in thousands)</u>
Interest rate contracts not designated as hedging instruments	Securitization funding costs	\$ 3,203

<u>For the six months ended June 30, 2010</u>	<u>Income Statement Location</u>	<u>Loss on Derivative Contracts (in thousands)</u>
Interest rate contracts not designated as hedging instruments	Securitization funding costs	\$ 5,384

The Company limits its exposure on derivatives by entering into contracts with institutions that are established dealers and maintain certain minimum credit criteria established by the Company. At June 30, 2010, the Company does not maintain any derivative contracts subject to master agreements that would require the Company to post collateral or that contain any credit-risk related contingent features. The Company has provisions in certain of the master agreements that require counterparties to post collateral to the Company when their credit ratings fall below certain thresholds. At June 30, 2010, these thresholds were not breached and no amounts were held as collateral by the Company.

9. DEFERRED REVENUE

Because management has determined that the earnings process is not complete at the time an AIR MILES reward mile is issued, the recognition of revenue on all fees received at issuance is deferred. The Company allocates the proceeds from the issuance of AIR MILES reward miles into two components as follows:

- *Redemption element.* The redemption element is the larger of the two components. Revenue related to the redemption element is based on the estimated fair value. For this component, revenue is recognized at the time an AIR MILES reward mile is redeemed, or for those AIR MILES reward miles that are estimated to go unredeemed by the collector base, known as "breakage," over the estimated life of an AIR MILES reward mile.
- *Service element.* The service element consists of marketing and administrative services provided to sponsors. Revenue related to the service element is determined using the residual method in accordance with ASC 605-25. It is initially deferred and then amortized pro rata over the estimated life of an AIR MILES reward mile.

Under certain of the Company's contracts, a portion of the proceeds is paid to the Company upon the issuance of an AIR MILES reward mile and a portion is paid at the time of redemption and therefore, the Company does not have a redemption obligation related to these contracts. Revenue is recognized at the time of redemption and is not reflected in the reconciliation of the redemption obligation detailed below. Under such contracts, the proceeds received at issuance are initially deferred as service revenue and revenue is recognized pro rata over the estimated life of an AIR MILES reward mile. Amounts for revenue related to the redemption element and service element are recorded in redemption revenue and transaction revenue, respectively, in the unaudited condensed consolidated statements of income.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Deferred Revenue		
	<u>Service</u>	<u>Redemption (In thousands)</u>	<u>Total</u>
December 31, 2009	\$ 306,336	\$ 839,810	\$ 1,146,146
Cash proceeds	88,940	236,918	325,858
Revenue recognized	(83,680)	(251,641)	(335,321)
Other	—	4,301	4,301
Effects of foreign currency translation	(3,773)	(9,654)	(13,427)
June 30, 2010	<u>\$ 307,823</u>	<u>\$ 819,734</u>	<u>\$ 1,127,557</u>
Amounts recognized in the unaudited condensed consolidated balance sheets:			
Current liabilities	<u>\$ 147,574</u>	<u>\$ 819,734</u>	<u>\$ 967,308</u>
Non-current liabilities	<u>\$ 160,249</u>	<u>\$ —</u>	<u>\$ 160,249</u>

10. STOCKHOLDERS' EQUITY

Stock Repurchase Programs

On January 27, 2010, the Company's Board of Directors authorized a new stock repurchase program to acquire up to \$275.1 million of the Company's common stock through December 2010, subject to any restrictions pursuant to the terms of the Company's credit agreements or otherwise.

For the three and six months ended June 30, 2010, the Company acquired a total of 188,000 shares and 456,500 shares, respectively, of its common stock for \$11.3 million and \$25.8 million, respectively.

Stock Compensation Plans

On March 31, 2005, the Company's Board of Directors adopted the 2005 long-term incentive plan, which was subsequently approved by the Company's stockholders on June 7, 2005 and became effective July 1, 2005. This plan reserved 4,750,000 shares of common stock for grants of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units and other performance-based awards to selected officers, employees, non-employee directors and consultants performing services for the Company or its affiliates. On September 24, 2009, the Company's Board of Directors amended the 2005 long term incentive plan to provide that, in addition to settlement in shares of the Company's common stock or other securities, equity awards may be settled in cash. No more grants may be made from the 2005 long-term incentive plan, which expired on June 30, 2010.

On March 25, 2010, the Company's Board of Directors adopted the 2010 Omnibus Incentive Plan (the "2010 plan"), which was subsequently approved by the Company's stockholders on June 8, 2010, became effective July 1, 2010 and expires on June 30, 2015. This plan reserves 3,000,000 shares of common stock for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance share awards, cash incentive awards, deferred stock units, and other stock-based and cash-based awards to selected officers, employees, non-employee directors and consultants performing services for the Company or its affiliates, with only employees being eligible to receive incentive stock options.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stock Compensation Expense

Total stock-based compensation expense recognized in the Company's unaudited condensed consolidated statements of income for the three and six months ended June 30, 2010 and 2009 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Cost of operations	\$ 6,308	\$ 5,771	\$12,203	\$16,136
General and administrative	6,107	4,927	10,818	12,521
Total	<u>\$12,415</u>	<u>\$10,698</u>	<u>\$23,021</u>	<u>\$28,657</u>

There was no stock-based compensation expense related to discontinued operations for the three and six months ended June 30, 2010 and for the three months ended June 30, 2009. For the six months ended June 30, 2009, stock-based compensation expense for the Company's discontinued operations was approximately \$0.1 million. This amount is included in the loss from discontinued operations in the unaudited condensed consolidated statements of income.

During the six months ended June 30, 2010, the Company awarded 476,096 performance-based restricted stock units with a weighted average grant date fair value per share of \$57.15 as determined on the date of grant. The performance restriction on the awards will lapse upon determination by the Board of Directors or the Compensation Committee of the Board of Directors that the Company's core earnings per share growth for the period from January 1, 2010 to December 31, 2010 met certain pre-defined vesting criteria that permit a range from 50% to 150% of such performance-based restricted stock units to vest. Upon such determination, the restrictions will lapse with respect to 33% of the award on February 22, 2011, an additional 33% of the award on February 22, 2012 and the final 34% of the award on February 22, 2013, provided that the participant is employed by the Company on each such vesting date.

During the six months ended June 30, 2010, the Company awarded 188,625 service-based restricted stock units with a weighted average grant date fair value per share of \$60.49 as determined on the date of grant. Service-based restricted stock units typically vest ratably over three years provided that the participant meets the service condition on each such vesting date.

In March 2009, the Company determined that it was no longer probable that the specified performance measures associated with certain performance-based restricted stock units would be achieved. As a result, 1,242,098 performance-based restricted stock units granted during 2008 and in January 2009, having a weighted-average grant date fair value of \$56.43 per share, are not expected to vest. The Company has not recognized stock-based compensation expense related to those awards no longer expected to vest.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. COMPREHENSIVE INCOME

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Net income	\$47,320	\$ 29,436	\$ 93,974	\$ 57,291
Adoption of ASC 860 and ASC 810 ⁽¹⁾	—	—	55,881	—
Unrealized gain (loss) on securities available-for-sale	3,953	(31,186)	(1,748)	(29,449)
Foreign currency translation adjustments ⁽²⁾	5,757	12,521	(1,881)	9,126
Total comprehensive income, net of tax	\$57,030	\$ 10,771	\$146,226	\$ 36,968

⁽¹⁾ These amounts related to unrealized losses associated with retained interests in the WFN Trusts and the WFC Trust, which were classified as available-for-sale. These amounts were previously reflected in accumulated other comprehensive income. Effective January 1, 2010, upon the adoption of ASC 860 and ASC 810, these interests and related accumulated other comprehensive income have been reclassified, derecognized or eliminated upon consolidation of the WFN Trusts and the WFC Trust.

⁽²⁾ Primarily related to the impact of changes in the Canadian currency exchange rate.

12. FINANCIAL INSTRUMENTS

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

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

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets				
Cash and cash equivalents	\$ 250,335	\$ 250,335	\$ 213,378	\$ 213,378
Trade receivables, net	209,609	209,609	225,212	225,212
Seller's interest	—	—	297,108	297,108
Credit card receivables, net	4,516,623	4,516,623	616,298	616,298
Redemption settlement assets, restricted	476,629	476,629	574,004	574,004
Due from securitizations	—	—	775,570	775,570
Cash collateral, restricted	313,018	313,018	216,953	216,953
Financial liabilities				
Accounts payable	125,534	125,534	103,891	103,891
Asset-backed securities debt—owed to securitization investors	3,352,758	3,387,008	—	—
Debt, including certificates of deposit	2,912,561	3,018,304	3,247,352	3,408,039
Derivative financial instruments	83,939	83,939	—	—

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fair Value of Assets and Liabilities Held at June 30, 2010

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

Cash and cash equivalents, trade receivables, net and accounts payable—The carrying amount approximates fair value due to the short maturity.

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

Redemption settlement assets, restricted—Fair value for securities is based on quoted market prices for the same or similar securities.

Cash collateral, restricted—The spread deposits are recorded at their fair value based on discounted cash flow models. The carrying amount of excess funding deposits approximates its fair value due to the relatively short maturity period and average interest rates, which approximate current market rates.

Asset-backed securities debt—owed to securitization investors—The fair value is estimated based on the current rates available to the Company for similar debt instruments with similar remaining maturities.

Debt, including certificates of deposit—The fair value is estimated based on the current rates available to the Company for similar debt instruments with similar remaining maturities.

Derivative financial instruments—The valuation of these instruments is determined using a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and option volatility.

Fair Value of Assets and Liabilities Held at December 31, 2009

The following techniques and assumptions were used by the Company in estimating fair values of financial instruments which were subsequently reclassified, derecognized or eliminated upon consolidation of the WFN Trusts and the WFC Trust as a result of the adoption of ASC 860 and ASC 810 as disclosed herein:

Seller's interest—Seller's interest was carried at an allocated carrying amount based on their fair value. The Company determined the fair value of its seller's interest through discounted cash flow models. The estimated cash flows used included assumptions related to rates of payments and defaults, which reflected economic and other relevant conditions. The discount rate used was based on an interest rate curve that was observable in the market place plus an unobservable credit spread. With the consolidation of the WFN Trusts and the WFC Trust on January 1, 2010, seller's interest has been eliminated.

Due from securitizations—The retained interest and interest-only strips were recorded at their fair value. The Company used a valuation model that calculated the present value of estimated future cash flows for each asset which incorporated the Company's own estimates of assumptions market participants used in determining fair value, including estimates of payment rates, defaults, net charge-offs, discount rates and contractual interest and fees. With the consolidation of the WFN Trusts and the WFC Trust on January 1, 2010, due from securitizations has been derecognized or eliminated.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Assets and Liabilities Measured on a Recurring Basis

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

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

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

The following tables provide the assets carried at fair value measured on a recurring basis as of June 30, 2010 and December 31, 2009:

	Balance at June 30, 2010	Fair Value Measurements at June 30, 2010 Using		
		Level 1	Level 2	Level 3
		(In thousands)		
Government bonds ⁽¹⁾	\$ 51,782	\$ 17,258	\$ 34,524	\$ —
Corporate bonds ⁽¹⁾	379,831	222,750	157,081	—
Other available-for-sale securities ⁽²⁾	86,150	76,568	9,582	—
Cash collateral, restricted	313,018	—	141,228	171,790
Total assets measured at fair value	\$ 830,781	\$ 316,576	\$ 342,415	\$ 171,790
Derivative financial instruments ⁽³⁾	\$ 83,939	\$ —	\$ 83,939	\$ —
Total liabilities measured at fair value	\$ 83,939	\$ —	\$ 83,939	\$ —

	Balance at December 31, 2009	Fair Value Measurements at December 31, 2009 Using		
		Level 1	Level 2	Level 3
		(In thousands)		
Government bonds ⁽¹⁾	\$ 42,231	\$ 16,676	\$ 25,555	\$ —
Corporate bonds ⁽¹⁾	460,132	308,668	77,598	73,866
Other available-for-sale securities ⁽²⁾	105,064	95,300	9,764	—
Seller's interest	297,108	—	—	297,108
Due from securitizations	775,570	—	—	775,570
Cash collateral, restricted	216,953	—	10,275	206,678
Total assets measured at fair value	\$ 1,897,058	\$ 420,644	\$ 123,192	\$ 1,353,222

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

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

⁽³⁾ Amounts are included in other current liabilities and other liabilities in the unaudited condensed consolidated balance sheets.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables summarize the changes in fair value of the Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 825 as of June 30, 2010 and 2009:

	<u>Corporate Bonds</u>	<u>Seller's Interest</u>	<u>Due from Securizations</u>	<u>Cash Collateral, Restricted</u>
	(In thousands)			
March 31, 2010	\$ —	\$ —	\$ —	\$ 183,700
Total losses (realized or unrealized)				
Included in earnings	—	—	—	(363)
Included in other comprehensive income	—	—	—	—
Purchases, sales, issuances and settlements	—	—	—	(11,547)
Transfers in or out of Level 3	—	—	—	—
June 30, 2010	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 171,790</u>
Losses for the period included in earnings attributable to the change in unrealized gains or losses related to assets still held at June 30, 2010	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (363)</u>
	<u>Corporate Bonds</u>	<u>Seller's Interest</u>	<u>Due from Securizations</u>	<u>Cash Collateral, Restricted</u>
	(In thousands)			
December 31, 2009	\$ 73,866	\$ 297,108	\$ 775,570	\$ 206,678
Adoption of ASC 860 and ASC 810	(73,866)	(297,108)	(775,570)	—
Total losses (realized or unrealized)				
Included in earnings	—	—	—	(330)
Included in other comprehensive income	—	—	—	—
Purchases, sales, issuances and settlements	—	—	—	(34,558)
Transfers in or out of Level 3	—	—	—	—
June 30, 2010	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 171,790</u>
Losses for the period included in earnings attributable to the change in unrealized gains or losses related to assets still held at June 30, 2010	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (330)</u>
	<u>Corporate Bonds</u>	<u>Seller's Interest</u>	<u>Due from Securizations</u>	<u>Cash Collateral, Restricted</u>
	(In thousands)			
March 31, 2009	\$ 93,748	\$ 41,166	\$ 496,320	\$ 173,322
Total (losses) gains (realized or unrealized)				
Included in earnings	—	8,952	(9,995)	395
Included in other comprehensive income	(10,189)	—	(29,841)	—
Purchases, sales, issuances and settlements	—	133,555	74,902	15,951
Transfers in or out of Level 3	—	—	—	—
June 30, 2009	<u>\$ 83,559</u>	<u>\$ 183,673</u>	<u>\$ 531,386</u>	<u>\$ 189,668</u>
Losses for the period included in earnings attributable to the change in unrealized gains or losses related to assets still held at June 30, 2009	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (4,992)</u>	<u>\$ —</u>

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	<u>Corporate Bonds</u>	<u>Seller's Interest</u>	<u>Due from Securizations</u>	<u>Cash Collateral, Restricted</u>
	(In thousands)			
December 31, 2008	\$ 28,625	\$ 182,428	\$ 428,853	\$ 175,384
Total (losses) gains (realized or unrealized)				
Included in earnings	—	8,543	(10,576)	471
Included in other comprehensive income	(9,623)	—	(30,287)	—
Purchases, sales, issuances and settlements	64,557	(7,298)	143,396	13,813
Transfers in or out of Level 3	—	—	—	—
June 30, 2009	<u>\$ 83,559</u>	<u>\$ 183,673</u>	<u>\$ 531,386</u>	<u>\$ 189,668</u>
Losses for the period included in earnings attributable to the change in unrealized gains or losses related to assets still held at June 30, 2009	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (5,290)</u>	<u>\$ —</u>

For the three and six months ended June 30, 2010 and 2009, gains and losses included in earnings attributable to cash collateral, restricted were included in revenue under finance charges, net in the unaudited condensed consolidated statements of income. For the three and six months ended June 30, 2009, gains and losses included in earnings for seller's interest and due from securitizations were included in securitization income in the unaudited condensed consolidated statements of income.

Assets and Liabilities Measured on a Non-Recurring Basis

The Company also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These assets include those associated with acquired businesses, including goodwill and other intangible assets. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if one or more is determined to be impaired. During the three and six months ended June 30, 2010, the Company had no impairments related to these assets.

13. INCOME TAXES

For the three and six months ended June 30, 2010, the Company utilized an effective tax rate of 38.2% to calculate its provision for income taxes. For the three and six months ended June 30, 2009, the Company's effective tax rate was 38.9% and 38.8%, respectively. In accordance with ASC 740-270, "Income taxes — Interim Reporting," the Company's expected annual effective tax rate for calendar year 2010 based on all known variables is 38.2%.

On January 1, 2010, the Company's deferred tax asset increased by approximately \$197.2 million as a result of the adoption of ASC 860 and ASC 810.

14. SEGMENT INFORMATION

In the first quarter of 2010, the Company reorganized its segments with Private Label Services and Private Label Credit reflected as one segment. All prior year segment information has been restated to conform to the current presentation. In addition, the Company renamed its other two segments from Epsilon Marketing Services and Loyalty Services to "Epsilon" and "LoyaltyOne," respectively.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

- LoyaltyOne includes the Company’s Canadian AIR MILES Reward Program;
- Epsilon provides integrated direct marketing solutions that combine database marketing technology and analytics with a broad range of direct marketing services; and
- Private Label Services and Credit provides risk management solutions, account origination, funding, transaction processing, customer care and collections services for the Company’s private label retail credit card programs.

Additionally, corporate and all other immaterial businesses are reported collectively as an “all other” category labeled “Corporate/Other.” Total interest expense, net and income taxes are not allocated to the segments in the computation of segment operating profit for internal evaluation purposes and have also been included in “Corporate/Other.” Total assets are not allocated to the segments. The Company’s utility services business and a terminated credit program have been classified as discontinued operations. See Note 15, “Discontinued Operations,” for additional information.

<u>Three Months Ended June 30, 2010</u>	<u>LoyaltyOne</u>	<u>Epsilon</u>	<u>Private Label Services and Credit</u>	<u>Corporate/ Other</u>	<u>Eliminations</u>	<u>Total</u>
	(In thousands)					
Revenues	\$ 191,531	\$ 137,024	\$ 343,260	\$ 388	\$ (2,485)	\$ 669,718
Adjusted EBITDA ⁽¹⁾	58,666	31,277	133,229	(14,243)	(1,713)	207,216
Depreciation and amortization	6,147	18,076	8,532	1,666	—	34,421
Stock compensation expense	2,365	2,166	1,777	6,107	—	12,415
Operating income (loss)	50,154	11,035	122,920	(22,016)	(1,713)	160,380
Interest expense, net	—	—	—	83,848	—	83,848
Income (loss) from continuing operations before income taxes	50,154	11,035	122,920	(105,864)	(1,713)	76,532

<u>Three Months Ended June 30, 2009</u>	<u>LoyaltyOne</u>	<u>Epsilon</u>	<u>Private Label Services and Credit</u>	<u>Corporate/ Other</u>	<u>Eliminations</u>	<u>Total</u>
	(In thousands)					
Revenues	\$ 167,346	\$ 123,003	\$ 156,821	\$ 10,369	\$ —	\$ 457,539
Adjusted EBITDA ⁽¹⁾	38,334	30,383	60,999	(7,260)	—	122,456
Depreciation and amortization	4,957	17,825	5,880	2,453	—	31,115
Stock compensation expense	2,257	1,901	1,614	4,926	—	10,698
Merger and other costs ⁽²⁾	—	—	—	64	—	64
Operating income (loss)	31,120	10,657	53,505	(14,703)	—	80,579
Interest expense, net	—	—	—	34,107	—	34,107
Income (loss) from continuing operations before income taxes	31,120	10,657	53,505	(48,810)	—	46,472

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

<u>Six Months Ended June 30, 2010</u>	<u>LoyaltyOne</u>	<u>Epsilon</u>	<u>Private Label Services and Credit</u>	<u>Corporate/ Other</u>	<u>Eliminations</u>	<u>Total</u>
	(In thousands)					
Revenues	\$ 391,201	\$ 263,331	\$ 682,464	\$ 1,153	\$ (4,894)	\$ 1,333,255
Adjusted EBITDA ⁽¹⁾	112,253	58,563	272,984	(30,183)	(3,426)	410,191
Depreciation and amortization	12,284	36,092	17,021	3,195	—	68,592
Stock compensation expense	4,528	4,136	3,539	10,818	—	23,021
Operating income (loss)	95,441	18,335	252,424	(44,196)	(3,426)	318,578
Interest expense, net	—	—	—	166,554	—	166,554
Income (loss) from continuing operations before income taxes	95,441	18,335	252,424	(210,750)	(3,426)	152,024

<u>Six Months Ended June 30, 2009</u>	<u>LoyaltyOne</u>	<u>Epsilon</u>	<u>Private Label Services and Credit</u>	<u>Corporate/ Other</u>	<u>Eliminations</u>	<u>Total</u>
	(In thousands)					
Revenues	\$ 327,977	\$ 240,569	\$ 345,978	\$ 22,466	\$ —	\$ 936,990
Adjusted EBITDA ⁽¹⁾	93,233	52,521	148,469	(19,941)	—	274,282
Depreciation and amortization	9,911	33,832	11,931	4,740	—	60,414
Stock compensation expense	6,281	5,225	4,631	12,520	—	28,657
Merger and other costs ⁽²⁾	—	—	—	3,012	—	3,012
Operating income (loss)	77,041	13,464	131,907	(40,213)	—	182,199
Interest expense, net	—	—	—	65,394	—	65,394
Income (loss) from continuing operations before income taxes	77,041	13,464	131,907	(105,607)	—	116,805

⁽¹⁾ Adjusted EBITDA is a non-GAAP financial measure equal to income from continuing operations, the most directly comparable GAAP financial measure, plus stock compensation expense, provision for income taxes, interest expense, net, depreciation and amortization, merger and other costs. Adjusted EBITDA is presented in accordance with ASC 280, "Segment Reporting," as it is the primary performance metric by which senior management is evaluated.

⁽²⁾ Merger and other costs are not allocated to the segments in the computation of segment operating profit for internal evaluation purposes. Merger costs represent investment banking, legal and accounting costs directly associated with the proposed merger with an affiliate of The Blackstone Group. Other costs represent compensation charges related to the departure of certain employees resulting from cost saving initiatives and other non-routine costs associated with the disposition of certain businesses.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. DISCONTINUED OPERATIONS

In February 2009, the Company completed the sale of the remainder of its utility services business, including the termination of a services agreement and the resolution of certain contractual disputes, to a former utility client. In November 2009, the Company terminated operations of its credit program for web and catalog retailer VENUE. These have been treated as discontinued operations under ASC 205-20, "Presentation of Financial Statements — Discontinued Operations." The underlying assets of the discontinued operations for the periods presented in the unaudited condensed consolidated balance sheets are as follows:

	June 30, 2010	December 31, 2009
	(In thousands)	
Assets:		
Credit card receivables, net	\$22,020	\$ 34,623
Assets of discontinued operations	\$22,020	\$ 34,623

The following table summarizes the operating results of the discontinued operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Revenue	\$ —	\$ 2,872	\$ —	\$ 8,335
Income (loss) before provision for income taxes	—	1,626	—	(21,642)
(Provision) benefit from income taxes	—	(577)	—	7,497
Income (loss) from discontinued operations	\$ —	\$ 1,049	\$ —	\$(14,145)

16. NON-CASH FINANCING AND INVESTING ACTIVITIES

On January 1, 2010, the Company adopted ASC 860 and ASC 810 resulting in the consolidation of the WFN Trusts and the WFC Trust. Based on the carrying amounts of the WFN Trusts' and the WFC Trust's assets and liabilities as prescribed by ASC 810, the consolidation of the trusts had the following non-cash impact to the financing and investing activities for the six months ended June 30, 2010 as follows:

- elimination of \$74 million in redemption settlement assets for those interests retained in the WFN Trusts,
- elimination of \$775 million in retained interests classified in due from securitizations,
- consolidation of \$4.1 billion in credit card receivables, and
- consolidation of \$3.7 billion in asset-backed securities.

17. SUBSEQUENT EVENTS

On July 1, 2010, the Company completed the acquisition of the Direct Marketing Services (DMS) division of Equifax, Inc. The total purchase price was approximately \$117 million. Equifax's DMS division provides proprietary data-driven, integrated marketing solutions through two complementary offers: database marketing and hosting, and data services, including U.S. consumer demographic information. In connection with the acquisition, the division will be integrated into the Company's Epsilon segment.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On July 8, 2010, Master Trust I issued \$450.0 million of term asset-backed securities to investors in a public offering. The offering consisted of \$355.5 million of Class A Series 2010-A asset-backed notes that have a fixed interest rate of 3.96% per year, \$16.9 million of Class M Series 2010-A asset-backed notes that have a fixed interest rate of 5.2% per year, \$21.4 million of Class B Series 2010-A asset-backed notes that have a fixed interest rate of 6.75% per year and \$56.2 million of Class C Series 2010-A asset-backed notes that have a fixed interest rate of 5.0% per year. The Class A, Class M, Class B and Class C notes will all mature in June 2015. The Class C Series 2010-A notes were retained by the Company. With the consolidation of the WFN Trusts, the Class C Series 2010-A notes are eliminated from the unaudited condensed consolidated financial statements.

On July 15, 2010, the Office of the Comptroller of the Currency (“OCC”) approved an application filed by the Company’s credit card services bank subsidiary, WFNNB, to change the location of the bank to Wilmington, Delaware through the merger of the bank with an interim banking association organized under the laws of the United States and located in Wilmington, Delaware. WFNNB is a national banking association and a limited purpose credit card bank and is regulated, supervised, and examined by the OCC, its primary regulator. WFNNB is also subject to regulation by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation. Neither the name of the bank nor any of its assets, liabilities or contemplated business purposes will change as a result of the merger. It is anticipated the merger will be completed in the third quarter of 2010.

On August 6, 2010, the Company, as borrower, and ADS Alliance Data Systems, Inc., ADS Foreign Holdings, Inc., Alliance Data Foreign Holdings, Inc., Epsilon Marketing Services, LLC and Epsilon Data Management, LLC, as guarantors, entered into a term loan agreement with the Bank of Montreal, as administrative agent, and various other agents and banks (the “2010 Term Loan”). The 2010 Term Loan is an unsecured loan in the amount of \$200.0 million with the option, up to sixty days after the closing date, to increase the amount by \$100.0 million up to a total loan amount of \$300.0 million. The Company borrowed \$221.0 million on August 6, 2010, and \$79.0 million remains available on the option to increase. The proceeds were used to refinance existing indebtedness. Amounts borrowed under the 2010 Term Loan are scheduled to mature on March 30, 2012.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes thereto presented in this quarterly report and the consolidated financial statements and related notes thereto included in our Annual Report filed on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission, or SEC, on March 1, 2010.

In the first quarter of 2010, we reorganized our segments with Private Label Services and Private Label Credit reflected as one segment. All prior year segment information has been restated to conform to the current presentation. In addition, we renamed our other two segments from Epsilon Marketing Services and Loyalty Services to "Epsilon" and "LoyaltyOne," respectively.

Year in Review Highlights

Our results for the first six months of 2010 included the following new and renewed agreements:

- In January 2010, we announced the signing of a multi-year expansion agreement with New York & Company, a specialty retail apparel chain, to provide a comprehensive database marketing solution that includes customer data management, campaign management, reporting and strategic consulting and analytics services.
- In February 2010, we announced the signing of multi-year agreements with Kraft Foods Inc. to provide a comprehensive direct-to-consumer marketing solution, including database and data management, consumer data integration, permission-based email marketing services, multi-channel campaign management and interactive web services.
- In February 2010, we announced that Budgetcar, Inc., a subsidiary of Avis Budget Group, Inc. and an AIR MILES® Reward Program sponsor and rewards supplier since 2007, had signed a multi-year renewal agreement.
- In February 2010, we announced the signing of a new multi-year agreement with Dallas-based La Quinta to provide permission-based email marketing services. In addition, La Quinta also renewed its existing agreement for Epsilon's ongoing support and management of La Quinta's frequent guest program.
- In March 2010, we announced that Vision Electronics, an AIR MILES Reward Program sponsor since 2007, had signed a multi-year renewal agreement.
- In March 2010, our private label credit card banking subsidiary, World Financial Network National Bank, or WFNNB, issued \$100.8 million of asset-backed securities to investors.
- In March 2010, WFNNB completed the renewal of its \$550.0 million conduit facility.
- In April 2010, we announced the signing of a new 5-year contract with the Liquor Control Board of Ontario, a top-10 AIR MILES sponsor and a sponsor since 1998.
- In May 2010, we announced that Pharmasave Atlantic, an Atlantic Canadian pharmacy retailer and an AIR MILES Reward Program sponsor since 1995, signed a multi-year renewal agreement.
- In May 2010, we announced the signing of a multi-year agreement with Whirlpool Canada LP, one of Canada's leading marketers and supplier of home appliances, as a sponsor in our AIR MILES Reward Program.
- In June 2010, we announced that Washington, D.C.-based AARP has signed a multi-year renewal agreement to provide data and database marketing services in support of AARP's member acquisition program.
- In June 2010, we announced a new sponsor agreement coinciding with an innovative energy conversation campaign with the Ontario Power Authority, representing an expansion of the AIR MILES Reward Program in the energy sector.

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- In June 2010, WFNNB completed the renewal of its \$1.2 billion conduit facility, and our industrial bank subsidiary, World Financial Capital Bank, or WFCB, completed the renewal of its \$275.0 million conduit facility, resulting in an increase of \$175.0 million in overall conduit capacity.

Critical Accounting Policies and Estimates

There have been no material changes, other than those noted below with the adoption of Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 860, "Transfers and Servicing," and ASC 810, "Consolidation," to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our 10-K for the fiscal year ended December 31, 2009.

Effective January 1, 2010, our seller's interest, interest-only strips and retained interest, which were recorded at estimated fair value, have been reclassified, derecognized or eliminated upon adoption of ASC 860 and ASC 810. Additionally, with the consolidation of World Financial Network Credit Card Master Trust, or Master Trust, World Financial Network Credit Card Master Note Trust, or Master Trust I, World Financial Network Credit Card Master Note Trust II, or Master Trust II, and World Financial Network Credit Card Master Trust III, or Master Trust III, or collectively, the WFN Trusts, and the World Financial Capital Credit Card Master Note Trust, or the WFC Trust, the estimate for the allowance for loan loss has become a critical accounting estimate. The provision for loan loss represents management's estimate of probable net loan losses inherent in the credit card portfolio.

Management evaluates its allowance for loan loss monthly for adequacy. The allowance is maintained through an adjustment to the provision for loan loss. In estimating losses inherent in the credit card portfolio, we use an approach that utilizes a migration analysis of delinquent and current credit card receivables. A migration analysis is a technique used to estimate the likelihood that a credit card receivable will progress through the various stages of delinquency and to charge-off. The migration analysis considers uncollectible principal, interest and fees reflected in credit card receivables. In determining the proper level of the allowance for loan loss, management also considers factors that may impact loan loss experience, including seasoning, loan volume and amounts, payment rates and forecasting uncertainties.

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update, or ASU, 2009-13, "Multiple-Deliverable Revenue Arrangements," which supersedes certain guidance in ASC 605-25, "Revenue Recognition — Multiple-Element Arrangements," and requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices (the relative-selling-price method). ASU 2009-13 eliminates the use of the residual method of allocation in which the undelivered element is measured at its estimated selling price and the delivered element is measured as the residual of the arrangement consideration, and requires the relative-selling-price method in all circumstances in which an entity recognizes revenue for an arrangement with multiple deliverables subject to ASU 2009-13. ASU 2009-13 will be effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. If we elect early adoption and the adoption is during an interim period, we will be required to apply this ASU retrospectively from the beginning of our fiscal year. We can also elect to apply this ASU retrospectively for all periods presented. We are currently evaluating the impact that the adoption of ASU 2009-13 will have on our consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, "Fair Value Measurements and Disclosures," which amends ASC 820, "Fair Value Measurements and Disclosures," to add separate disclosures about purchases, sales, issuances and settlements related to Level 3 measurements. The requirement to provide the Level 3 disclosures about purchases, sales, issuances and settlements will be effective for interim and annual periods beginning after December 15, 2010. The adoption of ASU 2010-06 for the separate Level 3 disclosures will only impact disclosures and will not have a material impact on our consolidated financial statements.

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In July 2010, the FASB issued ASU 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses," which amends ASC 310, "Receivables," to require further disaggregated disclosures that improve financial statement users' understanding of (1) the nature of an entity's credit risk associated with its financing receivables and (2) the entity's assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and the reasons for those changes. The new and amended disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The adoption of ASU 2010-20 will only impact disclosures and will not have a material impact on our consolidated financial statements.

Accounting Treatment for Securitizations

We have consolidated the credit card securitization trusts used in our securitization transactions, as the WFN Trusts and the WFC Trust were no longer exempt from consolidation effective January 1, 2010, upon our adoption of ASC 860 and ASC 810.

At adoption, we added approximately \$3.4 billion of assets, including a \$0.5 billion addition to loan loss reserves, and approximately \$3.7 billion of liabilities to our unaudited condensed consolidated balance sheets. The impact of the new accounting is a reduction to stockholders' equity of \$0.4 billion. The adoption required a full consolidation of the securitization trusts in accordance with accounting principles generally accepted in the United States of America, or GAAP.

Subsequent to January 1, 2010, our unaudited condensed consolidated statements of income no longer reflect securitization income, but instead reflect finance charges and certain other income associated with the securitized credit card receivables. Net charge-offs associated with credit card receivables impact our provision for loan loss reflected in our total operating expenses. Interest expense associated with debt issued from the trusts to third-party investors is reported in securitization funding costs. Additionally, we no longer record initial gains on new securitization activity since securitized credit card loans no longer receive sale accounting treatment, nor are there any gains or losses on the revaluation of the interest-only strip receivable, as that asset is not recognized in a transaction accounted for as a secured borrowing. Since our securitization transactions are accounted for under the new accounting rules as secured borrowings rather than asset sales, the cash flows from these transactions are presented as cash flows from financing activities rather than cash flows from operating or investing activities.

Credit Card Accountability, Responsibility, and Disclosure ("CARD") ACT

On June 15, 2010, the Federal Reserve Board released the final guidelines on late fees that can be charged by financial institutions effective as of August 22, 2010. In anticipation of the late fee guidelines, we modified cardholder terms to include a \$1 processing fee to offset the impact of any decline in average late fees charged. However, the final guidelines had less impact than initially expected as they provide for: (1) a \$25 maximum late fee compared to our original expectation of \$20, and (2) late fees to be charged in excess of the \$25 maximum for repeat offenses within a six month period. Accordingly we suspended the \$1 processing fee previously scheduled for implementation this summer as it is disproportionate to the anticipated impact to average late fees from the final rules. Instead, we will marginally increase minimum payments and modify existing late fee structures to maintain the current average late fee of approximately \$25. The mailing of revised cardholder terms will be made as early as August 2010, to be effective for billing cycles beginning in November 2010.

2010 Third Quarter and Full-Year Outlook

We expect double-digit consolidated revenue growth with the potential for each of the three segments to generate double-digit revenue growth compared to the prior year's third quarter. Private Label Services and

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Credit and Epsilon are expected to provide positive, double-digit adjusted EBITDA growth, while a decline is expected at LoyaltyOne. LoyaltyOne is expected to report a year-over-year decline in adjusted EBITDA primarily due to the run-off of deferred revenue related to the conversion of a certain split fee to non-split fee program. Adjusted EBITDA for LoyaltyOne will also be negatively impacted in the second half of 2010 due to a change in sponsor mix for AIR MILES reward miles in the latter part of 2008 and 2009. Because service revenue is deferred and recognized ratably over a 42 month period, the impact of this will be realized in the second half of 2010. However, overall we expect a solid third quarter.

Key metrics for the AIR MILES Reward Program continue to improve. AIR MILES reward miles issued during the second quarter of 2010 increased 4% compared to the second quarter of 2009, representing the fourth consecutive period of quarter-over-quarter growth. The growth rate of AIR MILES reward miles issued in the second quarter of 2010 is below historical growth rates of 7% - 8% primarily due to slower promotional activity in the grocer sector compared to the prior corresponding quarter. Promotional activity, which can vary by quarter based upon sponsors' marketing strategies, generally remains stable on a yearly basis. As 2010 progresses, we expect AIR MILES reward miles issued to remain stable at growth of approximately 5% with potential upside if promotional activity increases in the grocer sector. Additionally, LoyaltyOne has a partnership interest in an entity operating a Brazilian coalition loyalty program. The initial phase is currently in progress and a further planned investment of up to \$15.0 million in the initiative is dependent on the success of the initial phase and the timing of the phased program rollout.

On July 1, 2010, we bolstered our data business by acquiring the Direct Marketing Services (DMS) division of Equifax, Inc. This division provides proprietary data-driven, integrated marketing solutions through two complementary offerings: database marketing and hosting, and data services, including U.S. consumer demographic information. The DMS acquisition is not expected to materially benefit earnings in 2010, but is expected to be accretive to earnings in 2011.

Key drivers in Private Label Services and Credit continue to be solid as the annual percentage rate increase in March 2010 has added approximately 1% to gross yield; credit losses are steadily improving; and funding costs are trending downward with continued improvement in securitization financings. These factors should increase net yield for the remainder of 2010.

Our outlook for 2010 assumed the rollout of the \$1 processing fee in the third quarter of 2010 as an offset to the potential impact of the CARD Act requirements to 2010. As noted previously, we have suspended this rollout. Without the benefit of the \$1 processing fee, the CARD Act requirements are expected to lower our earnings per diluted share by approximately \$0.30 in 2010. This reduction results from the timing gap between when the rollout of the \$1 processing fee was scheduled and when the new cardholder terms relating to late fees can be implemented. This short-term impact places downward risk on our estimated 2010 earnings.

Use of Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure equal to income from continuing operations, the most directly comparable GAAP financial measure, plus stock compensation expense, provision for income taxes, interest expense, net, merger and other costs, depreciation and other amortization and amortization of purchased intangibles.

We use adjusted EBITDA as an integral part of our internal reporting to measure the performance of our reportable segments and to evaluate the performance of our senior management. Adjusted EBITDA is considered an important indicator of the operational strength of our businesses. Adjusted EBITDA eliminates the uneven effect across all business segments of considerable amounts of non-cash depreciation of tangible assets and amortization of certain intangible assets that were recognized in business combinations. A limitation of this measure, however, is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our businesses. Management evaluates the costs of such tangible and intangible

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Income from continuing operations	\$ 47,320	\$ 28,387	\$ 93,974	\$ 71,436
Stock compensation expense	12,415	10,698	23,021	28,657
Provision for income taxes	29,212	18,085	58,050	45,369
Interest expense, net	83,848	34,107	166,554	65,394
Merger and other costs ⁽¹⁾	—	64	—	3,012
Depreciation and other amortization	16,580	15,300	32,905	30,351
Amortization of purchased intangibles	17,841	15,815	35,687	30,063
Adjusted EBITDA	<u>\$ 207,216</u>	<u>\$ 122,456</u>	<u>\$ 410,191</u>	<u>\$ 274,282</u>

⁽¹⁾ Represents investment banking, legal and accounting costs directly associated with the proposed merger with an affiliate of The Blackstone Group. Other costs represent compensation charges related to the departure of certain employees resulting from cost saving initiatives and other non-routine costs associated with the disposition of certain businesses.

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Results of Continuing Operations

Three months ended June 30, 2010 compared to the three months ended June 30, 2009

	Three Months Ended June 30,		Change	
	2010	2009	\$	%
(In thousands, except percentages)				
Revenue:				
LoyaltyOne	\$ 191,531	\$ 167,346	\$ 24,185	14.5%
Epsilon	137,024	123,003	14,021	11.4
Private Label Services and Credit	343,260	156,821	186,439	118.9
Corporate/Other	388	10,369	(9,981)	(96.3)
Eliminations	(2,485)	—	(2,485)	NM*
Total	<u>\$ 669,718</u>	<u>\$ 457,539</u>	<u>\$ 212,179</u>	<u>46.4%</u>
Adjusted EBITDA⁽¹⁾:				
LoyaltyOne	\$ 58,666	\$ 38,334	\$ 20,332	53.0%
Epsilon	31,277	30,383	894	2.9
Private Label Services and Credit	133,229	60,999	72,230	118.4
Corporate/Other	(14,243)	(7,260)	(6,983)	96.2
Eliminations	(1,713)	—	(1,713)	NM*
Total	<u>\$ 207,216</u>	<u>\$ 122,456</u>	<u>\$ 84,760</u>	<u>69.2%</u>
Stock compensation expense:				
LoyaltyOne	\$ 2,365	\$ 2,257	\$ 108	4.8%
Epsilon	2,166	1,901	265	13.9
Private Label Services and Credit	1,777	1,614	163	10.1
Corporate/Other	6,107	4,926	1,181	24.0
Total	<u>\$ 12,415</u>	<u>\$ 10,698</u>	<u>\$ 1,717</u>	<u>16.0%</u>
Depreciation and amortization:				
LoyaltyOne	\$ 6,147	\$ 4,957	\$ 1,190	24.0%
Epsilon	18,076	17,825	251	1.4
Private Label Services and Credit	8,532	5,880	2,652	45.1
Corporate/Other	1,666	2,453	(787)	(32.1)
Total	<u>\$ 34,421</u>	<u>\$ 31,115</u>	<u>\$ 3,306</u>	<u>10.6%</u>
Operating income from continuing operations:				
LoyaltyOne	\$ 50,154	\$ 31,120	\$ 19,034	61.2%
Epsilon	11,035	10,657	378	3.5
Private Label Services and Credit	122,920	53,505	69,415	129.7
Corporate/Other	(22,016)	(14,703)	(7,313)	49.7
Eliminations	(1,713)	—	(1,713)	NM*
Total	<u>\$ 160,380</u>	<u>\$ 80,579</u>	<u>\$ 79,801</u>	<u>99.0%</u>
Adjusted EBITDA margin⁽²⁾:				
LoyaltyOne	30.6%	22.9%	7.7%	
Epsilon	22.8	24.7	(1.9)	
Private Label Services and Credit	38.8	38.9	(0.1)	
Total	<u>30.9%</u>	<u>26.8%</u>	<u>4.1%</u>	
Segment operating data:				
Private Label statements generated	35,559	31,177	4,382	14.1%
Credit sales	\$2,220,513	\$1,944,288	\$276,225	14.2%
Average credit card receivables	\$4,992,034	\$4,136,726	\$855,308	20.7%
AIR MILES reward miles issued	1,165,089	1,122,576	42,513	3.8%
AIR MILES reward miles redeemed	801,111	756,933	44,178	5.8%

⁽¹⁾ Adjusted EBITDA is equal to income from continuing operations, plus stock compensation expense, provision for income taxes, interest expense, net, merger and other costs, depreciation and amortization. For a reconciliation of adjusted EBITDA to income from continuing operations, the most directly comparable GAAP financial measure, see "Use of Non-GAAP Financial Measures" included in this report.

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

* Not Meaningful

Consolidated Operating Results:

Revenue. Total revenue increased \$212.2 million, or 46.4%, to \$669.7 million for the three months ended June 30, 2010 from \$457.5 million for the comparable period in 2009. The increase was due to the following:

- *Transaction.* Revenue decreased \$25.4 million, or 26.7%, to \$69.3 million for the three months ended June 30, 2010 due to several factors:
 - elimination of servicing fees of \$17.9 million from the credit card securitization trusts, as a result of the adoption of ASC 860 and ASC 810. In its capacity as a servicer, each of our respective banks earns a fee from the credit card securitization trusts to service and administer its receivables, collect payments, and charge-off uncollectible receivables. Upon consolidation of the credit card securitization trusts, this fee was eliminated;
 - a decline in merchant fees, which are transaction fees charged to the retailer, of \$12.6 million attributable to increases in royalty payments to our retail clients, as well as a decline in fees earned from deferred programs; and
 - a decline in transition services revenue of \$7.3 million from agreements associated with the acquirers of our merchant services and utility services businesses, which were no longer in place in 2010.

These decreases were offset in part by increased AIR MILES reward miles issuance fees of \$7.8 million due to a favorable foreign currency exchange rate and growth in our AIR MILES reward miles issued. Our issuance fees, which consist of fees for marketing and administrative services provided to sponsors, are recognized pro rata over the estimated life of an AIR MILES reward mile. The average foreign currency exchange rate for the current year period increased to \$0.97 as compared to \$0.87 in the prior year period. Additionally, debt cancellation premiums paid by our credit card holders increased \$4.8 million due to higher volumes in part from the October 2009 acquisition of the Charming Shoppes credit card program.

- *Redemption.* Revenue increased \$13.7 million, or 12.0%, to \$127.7 million for the three months ended June 30, 2010 due to a favorable foreign currency exchange rate, which favorably impacted revenue by \$15.3 million. Redemption revenue in local currency (Canadian dollars) decreased approximately CAD \$1.6 million, although miles redeemed increased 5.8%. This resulted from a reduction in the amortization of deferred revenue related to the conversion of a certain split fee to non-split fee program. Revenue has been recognized as these AIR MILES reward miles have been redeemed. As of June 30, 2010, there is a minimal amount of deferred revenue related to the conversion remaining.
- *Securitization income.* Securitization income decreased \$93.2 million. Upon adoption of ASC 860 and ASC 810 and the consolidation of the credit card securitization trusts, securitization income is no longer reflected. Amounts that were previously included in this financial statement line item are now reflected in finance charges, net in our unaudited condensed consolidated statements of income.
- *Finance charges, net.* Revenue increased \$308.1 million to \$319.3 million for the three months ended June 30, 2010. On a conformed presentation, adjusting 2009 securitization income for securitization funding costs and credit losses which totaled \$138.5 million, revenue increased \$76.4 million. The increase was a result of continued positive trends in portfolio growth of 20.7%, credit sales growth of 14.2% and an increase in gross yield of 70 basis points to 25.6% for the current period.
- *Database marketing fees and direct marketing.* Revenue increased \$15.3 million, or 12.8%, to \$135.0 million for the three months ended June 30, 2010. The database/digital businesses continue to build from recent client signings and expansion of services to existing clients increasing 14.2 % for the three months ended June 30, 2010. The positive trends in our catalog business are continuing from the first quarter. Our large catalog coalition database, Abacus, achieved solid revenue growth of 14.5% during the second quarter of 2010 as the data sector continues to show positive momentum, signifying the demand that marketers have for rich insight to drive targeted marketing initiatives.

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- *Other revenue.* Revenue decreased \$6.3 million, or 25.6%, to \$18.4 million for the three months ended June 30, 2010 due to (1) the inclusion in 2009 of revenue from the sale of our MasterCard Incorporated class B stock, and (2) the elimination of investment revenue of \$1.7 million from investments held by LoyaltyOne in the credit card securitization trusts due to their consolidation in 2010 upon adoption of ASC 860 and ASC 810.

Cost of operations. Cost of operations increased \$31.1 million, or 9.5%, to \$357.7 million for the three months ended June 30, 2010. The increase was driven by the following:

- higher payroll and benefit costs in Private Label Services and Credit of \$12.2 million and in Epsilon of \$10.7 million as a result of growth in both segments;
- increases in the cost of redemptions for the AIR MILES Reward Program of \$11.0 million, driven by the increase in average foreign currency exchange rates. The cost of redemptions for the AIR MILES Reward Program in local currency was relatively flat to the prior year, increasing CAD \$0.4 million; and
- credit card related expenses such as marketing, credit bureau and postage rose \$9.2 million in the current period as compared to the prior year period due to higher volumes.

Increases in cost of operations were partially offset by a decrease in foreign exchange losses. In the second quarter of 2009, we recognized a foreign exchange loss of \$15.9 million related to certain U.S. investments held at LoyaltyOne.

General and administrative. General and administrative expenses increased \$2.3 million, or 11.9%, to \$21.5 million for the three months ended June 30, 2010. The increase was driven by severance expense associated with the departure of certain associates and an increase in incentive compensation for the current year period as compared to the prior year period.

Provision for loan loss. Provision for loan loss was \$95.7 million for the three months ended June 30, 2010. In 2009, net losses were netted against securitization income. On a conformed presentation, provision for loan loss decreased \$7.9 million, or 7.6%, as compared to the prior year period provision for loan loss of \$103.6 million. The decrease was a result of continued declines in the loss rate.

Depreciation and other amortization. Depreciation and other amortization increased \$1.3 million, or 8.4%, to \$16.6 million for the three months ended June 30, 2010 due to capital additions placed in service during the second half of 2009 and 2010.

Amortization of purchased intangibles. Amortization of purchased intangibles increased \$2.0 million, or 12.8%, to \$17.8 million for the three months ended June 30, 2010 as a result of the intangible assets acquired with the Charming Shoppes credit card program in October 2009.

Interest expense. Total interest expense, net increased \$49.7 million, or 145.8%, to \$83.8 million for the three months ended June 30, 2010 from \$34.1 million for the comparable period in 2009. The increase was due to the following:

- *Securitization funding costs.* Securitization funding costs were \$43.6 million for the three months ended June 30, 2010. In 2009, these costs were netted against securitization income and totaled \$34.9 million. The increase in these costs is due to growth in the portfolio as compared to June 30, 2009, and the amortization of securitized fees.
- *Interest expense on certificates of deposit.* Interest expense on certificates of deposit increased \$0.8 million to \$7.6 million for the three months ended June 30, 2010 from \$6.8 million for the comparable period in 2009 due to higher average balances offset in part by a decline in interest rates.

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- *Interest expense on long-term and other debt, net.* Interest expense on long-term and other debt, net increased \$5.3 million, to \$32.6 million for the three months ended June 30, 2010 from \$27.3 million for the comparable period in 2009. The increase in interest expense resulted from a \$4.4 million increase in the amortization of the discount associated with our convertible senior notes, an increase of \$0.9 million for our credit facilities due to higher average balances and the amortization of debt issuance costs of \$0.4 million.

Merger costs (reimbursements). In 2010, there were no merger costs or reimbursements. During the three months ended June 30, 2009, we incurred approximately \$0.1 million in legal costs associated with our proposed merger with an affiliate of The Blackstone Group. We do not expect any future costs associated with the proposed merger.

Taxes. Income tax expense increased \$11.1 million to \$29.2 million, or 61.5%, for the three months ended June 30, 2010 from \$18.1 million for the comparable period in 2009 due to an increase in taxable income, partially offset by a decrease in our effective tax rate to 38.2% for the three months ended June 30, 2010 from 38.9% for the comparable period in 2009.

Income (loss) from discontinued operations. In 2010, there were no gains or losses associated with discontinued operations. Income from discontinued operations, net of taxes, of \$1.0 million in the three months ended June 30, 2009 related to the terminated operations of our credit program for web and catalog retailer VENUE.

Segment Information:

Revenue. Total revenue increased \$212.2 million, or 46.4%, to \$669.7 million for the three months ended June 30, 2010 from \$457.5 million for the comparable period in 2009. The increase was due to the following:

- *LoyaltyOne.* Revenue increased \$24.2 million, or 14.5%, to \$191.5 million for the three months ended June 30, 2010 due to a favorable foreign currency exchange rate, which impacted revenue by \$22.3 million. Redemption revenue in local currency decreased approximately CAD \$1.6 million, although miles redeemed increased 5.8%. This was a result of a decline in the amortization of deferred revenue related to the conversion of a certain split fee to non-split fee program. As of June 30, 2010, there is a minimal amount of this deferred revenue remaining. This decline was offset by an increase in issuance revenue of CAD \$3.3 million as a result of the growth in AIR MILES reward miles issued.
- *Epsilon.* Revenue increased \$14.0 million, or 11.4%, to \$137.0 million for the three months ended June 30, 2010. The database/digital businesses continued their trend of double-digit organic revenue growth, increasing 14.2% as compared to the three months ended June 30, 2009. Momentum in this group continues to build as, increasingly, large multi-national companies are directing a portion of their marketing spend to Epsilon. These businesses have benefited from the number of new client signings in 2009, a trend which has continued into 2010 with two large client wins and three expansion agreements. Additionally, Abacus, which operates a larger coalition database, achieved solid revenue growth of 14.5% during the second quarter of 2010, continuing the positive trend from the first quarter of 2010. The data sector continues to show positive momentum, signifying the demand that marketers have for rich insight to drive targeted marketing initiatives.
- *Private Label Services and Credit.* Revenue increased \$186.4 million, or 118.9%, to \$343.3 million for the three months ended June 30, 2010. On a conformed presentation, adjusting 2009 revenue for securitization funding costs and credit losses of \$295.3 million, revenue increased \$47.9 million, or 16.2%. The increase was a result of continued positive trends in portfolio growth of 20.7%, credit sales growth of 14.2% and an increase in gross yield.
- *Corporate/Other.* Revenue decreased \$10.0 million to \$0.4 million for the three months ended June 30, 2010 due to a decline in transition services revenue from agreements associated with the acquirers of our merchant services and utility services businesses, which were no longer in place in 2010.

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Adjusted EBITDA. For purposes of the discussion below, adjusted EBITDA is equal to income from continuing operations plus stock compensation expense, provision for income taxes, interest expense, net, merger and other costs, depreciation and amortization. Adjusted EBITDA increased \$84.8 million, or 69.2%, to \$207.2 million for the three months ended June 30, 2010 from \$122.5 million for the comparable period in 2009. The increase was due to the following:

- *LoyaltyOne.* Adjusted EBITDA increased \$20.3 million, or 53.0%, to \$58.7 million and adjusted EBITDA margin increased to 30.6% for the three months ended June 30, 2010 compared to 22.9% in the same period in 2009. The increase in 2010 was driven by the impact of a foreign exchange loss of \$15.9 million in 2009 related to certain U.S. investments, as well as the impact of a favorable currency exchange rate for the current period. In local currency, excluding the impact of the foreign currency exchange loss, adjusted EBITDA decreased CAD \$3.9 million. The decline in adjusted EBITDA is largely due to lower margins on AIR MILES reward miles redeemed as well as increased marketing costs due to the timing of certain marketing campaigns.
- *Epsilon.* Adjusted EBITDA was relatively flat, increasing \$0.9 million, or 2.9%, to \$31.3 million but adjusted EBITDA margin decreased to 22.8% for the three months ended June 30, 2010 compared to 24.7% in the same period in 2009. This was driven by double digit revenue growth offset by increases in payroll costs, due to an increase in headcount. This increase in employees is expected to support anticipated revenue growth in the second half of the year.
- *Private Label Services and Credit.* Adjusted EBITDA increased \$72.2 million, or 118.4%, to \$133.2 million for the three months ended June 30, 2010 while adjusted EBITDA margin decreased slightly to 38.8% for the three months ended June 30, 2010 compared to 38.9% in the same period in 2009. On a conformed presentation, adjusting 2009 for funding costs of \$103.6 million due to the adoption of ASC 860 and ASC 810, adjusted EBITDA increased \$37.3 million, or 38.9%, and adjusted EBITDA margin increased to 38.8% from 32.5%. Adjusted EBITDA and adjusted EBITDA margin were positively impacted by the increases in our average credit card receivable balances which increased 20.7% from 2009, improvement in our gross yield and an improvement in credit losses as compared to the prior year.
- *Corporate/Other.* Adjusted EBITDA decreased \$7.0 million to a loss of \$14.2 million for the three months ended June 30, 2010, as a result of \$1.6 million in severance costs and an increase in incentive compensation as compared to the second quarter of 2009. Additionally, the second quarter of 2009 was impacted by a \$2.6 million non-income based tax benefit which did not reoccur in the second quarter of 2010.

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Results of Continuing Operations

Six months ended June 30, 2010 compared to the six months ended June 30, 2009

	Six Months Ended June 30,		Change	
	2010	2009	\$	%
(In thousands, except percentages)				
Revenue:				
LoyaltyOne	\$ 391,201	\$ 327,977	\$ 63,224	19.3%
Epsilon	263,331	240,569	22,762	9.5
Private Label Services and Credit	682,464	345,978	336,486	97.3
Corporate/Other	1,153	22,466	(21,313)	(94.9)
Eliminations	(4,894)	—	(4,894)	NM*
Total	<u>\$1,333,255</u>	<u>\$ 936,990</u>	<u>\$396,265</u>	<u>42.3%</u>
Adjusted EBITDA⁽¹⁾:				
LoyaltyOne	\$ 112,253	\$ 93,233	\$ 19,020	20.4%
Epsilon	58,563	52,521	6,042	11.5
Private Label Services and Credit	272,984	148,469	124,515	83.9
Corporate/Other	(30,183)	(19,941)	(10,242)	51.4
Eliminations	(3,426)	—	(3,426)	NM*
Total	<u>\$ 410,191</u>	<u>\$ 274,282</u>	<u>\$135,909</u>	<u>49.6%</u>
Stock compensation expense:				
LoyaltyOne	\$ 4,528	\$ 6,281	\$ (1,753)	(27.9)%
Epsilon	4,136	5,225	(1,089)	(20.8)
Private Label Services and Credit	3,539	4,631	(1,092)	(23.6)
Corporate/Other	10,818	12,520	(1,702)	(13.6)
Total	<u>\$ 23,021</u>	<u>\$ 28,657</u>	<u>\$ (5,636)</u>	<u>(19.7)%</u>
Depreciation and amortization:				
LoyaltyOne	\$ 12,284	\$ 9,911	\$ 2,373	23.9%
Epsilon	36,092	33,832	2,260	6.7
Private Label Services and Credit	17,021	11,931	5,090	42.7
Corporate/Other	3,195	4,740	(1,545)	(32.6)
Total	<u>\$ 68,592</u>	<u>\$ 60,414</u>	<u>\$ 8,178</u>	<u>13.5%</u>
Operating income from continuing operations:				
LoyaltyOne	\$ 95,441	\$ 77,041	\$ 18,400	23.9%
Epsilon	18,335	13,464	4,871	36.2
Private Label Services and Credit	252,424	131,907	120,517	91.4
Corporate/Other	(44,196)	(40,213)	(3,983)	9.9
Eliminations	(3,426)	—	(3,426)	NM*
Total	<u>\$ 318,578</u>	<u>\$ 182,199</u>	<u>\$136,379</u>	<u>74.9%</u>
Adjusted EBITDA margin⁽²⁾:				
LoyaltyOne	28.7%	28.4%	0.3%	
Epsilon	22.2	21.8	0.4	
Private Label Services and Credit	40.0	42.9	(2.9)	
Total	<u>30.8%</u>	<u>29.3%</u>	<u>1.5%</u>	
Segment operating data:				
Private Label statements generated	71,800	63,022	8,778	13.9%
Credit sales	\$4,073,243	\$3,492,362	\$580,881	16.6%
Average credit card receivables	\$5,088,590	\$4,187,559	\$901,031	21.5%
AIR MILES reward miles issued	2,202,768	2,108,798	93,970	4.5%
AIR MILES reward miles redeemed	1,694,264	1,543,965	150,299	9.7%

⁽¹⁾ Adjusted EBITDA is equal to income from continuing operations, plus stock compensation expense, provision for income taxes, interest expense, net, merger and other costs, depreciation and amortization. For a reconciliation of adjusted EBITDA to income from continuing operations, the most directly comparable GAAP financial measure, see "Use of Non-GAAP Financial Measures" included in this report.

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

* Not Meaningful

Consolidated Operating Results:

Revenue. Total revenue increased \$396.3 million, or 42.3%, to \$1.33 billion for the six months ended June 30, 2010 from \$937.0 million for the comparable period in 2009. The increase was due to the following:

- *Transaction.* Revenue decreased \$43.2 million, or 22.8%, to \$145.9 million for the six months ended June 30, 2010 due to the following factors:
 - elimination of servicing fees of \$36.2 million from the credit card securitization trusts, as a result of the adoption of ASC 860 and ASC 810. In its capacity as a servicer, each of our respective banks earns a fee from the credit card securitization trusts, to service and administer its receivables, collect payments, and charge-off uncollectible receivables. Upon consolidation of the credit card securitization trusts, this fee was eliminated;
 - a decrease in merchant fees, which are transaction fees charged to the retailer, of \$14.5 million attributable to increases in royalty payments to our retail clients, as well as a decline in fees earned from deferred programs; and
 - a decline in transition services revenue of \$18.9 million from agreements associated with the acquirers of our merchant services and utility services businesses, which were no longer in place in 2010.

These decreases were offset in part by increased AIR MILES reward miles issuance fees of \$17.1 million due to a favorable foreign currency exchange rate and growth in our AIR MILES reward miles issued. Our issuance fees, which consist of marketing and administrative services provided to sponsors, are recognized pro rata over the estimated life of an AIR MILES reward mile. The average foreign currency exchange rate for the current year period increased to \$0.97 as compared to \$0.83 in the prior year period. Debt cancellation premiums received from our credit card holders increased \$8.3 million resulting from higher volumes in part from the October 2009 acquisition of the Charming Shoppes credit card program.

- *Redemption.* Revenue increased \$40.2 million, or 17.8%, to \$266.4 million for the six months ended June 30, 2010 due to a favorable foreign currency exchange rate, which favorably impacted revenue by \$36.8 million. Redemption revenue in local currency (Canadian dollars) increased approximately CAD \$3.4 million, or 1.2%, although AIR MILES reward miles redeemed increased 9.7%. This is due to the decline in the amortization of deferred revenue related to the conversion of a certain split fee to non-split fee programs. Revenue has been recognized as these AIR MILES reward miles have been redeemed. As of June 30, 2010, there is a minimal amount of deferred revenue related to the conversion remaining.
- *Securitization income.* Securitization income decreased \$216.6 million. Upon adoption of ASC 860 and ASC 810 and the consolidation of the credit card securitization trusts, securitization income is no longer reflected. Amounts that were previously included in this financial statement line item are now reflected in finance charges, net in our unaudited condensed consolidated statements of income.
- *Finance charges, net.* Revenue increased \$596.6 million to \$625.6 million for the six months ended June 30, 2010. On a conformed presentation, adjusting 2009 securitization income for securitization funding costs and credit losses which totaled \$266.0 million, revenue increased \$114.0 million. The increase was a result of continued positive trends in portfolio growth of 21.5% and credit sales growth of 16.6%, offset in part by a slight decline in gross yield, which was 24.6% for the current period as compared to 25.9% for the prior year period.
- *Database marketing fees and direct marketing.* Revenue increased \$24.9 million, or 10.6%, to \$260.2 million for the six months ended June 30, 2010. The database/digital businesses continue to build from recent client signings and expansion of services to existing clients increasing 12.2%. Our catalog business has shown positive trends for the current year as compared to the prior year. Our large catalog coalition database, Abacus, achieved solid revenue growth of 14.1% as the data sector continues to show positive momentum, signifying the demand that marketers have for rich insight to drive targeted marketing initiatives. The growth in strategic database and our catalog business was partially offset by declines in our agency business.

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- *Other revenue.* Revenue decreased \$5.6 million, or 13.8%, to \$35.1 million for the six months ended June 30, 2010 due to (1) the inclusion in 2009 of revenue from the sale of our MasterCard Incorporated class B stock, and (2) the elimination of investment revenue of \$3.4 million from investments held by LoyaltyOne in the credit card securitization trusts due to their consolidation in 2010 upon adoption of ASC 860 and ASC 810.

Cost of operations. Cost of operations increased \$70.0 million, or 10.8%, to \$717.8 million for the six months ended June 30, 2010. The increase was driven by the following:

- higher payroll and benefit costs in Private Label Services and Credit of \$15.9 million and at Epsilon of \$13.0 million due to growth in both of the segments;
- increases in the cost of redemptions for the AIR MILES Reward Program of \$37.2 million, driven by the increase in average foreign currency exchange rates. The cost of redemptions for the AIR MILES Reward Program in local currency increased CAD \$12.4 million, or 6.6%, due to an increase in miles redeemed; and
- credit card related expenses such as marketing, credit bureau and postage rose \$15.5 million in the current period as compared to the prior year period due to higher volumes.

Increases in cost of operations were partially offset by a decrease in foreign exchange losses of \$11.8 million. In the second quarter of 2009, we recognized a foreign exchange loss of \$15.9 million related to certain U.S. investments held at LoyaltyOne.

General and administrative. General and administrative expenses decreased \$3.4 million, or 7.1%, to \$43.7 million for the six months ended June 30, 2010. The decrease was driven by a decline in medical and benefit costs for the six months ended June 30, 2010 as compared to the prior year comparable period.

Provision for loan loss. Provision for loan loss was \$184.6 million for the six months ended June 30, 2010. In 2009, net losses were netted against securitization income. On a conformed presentation, provision for loan loss decreased \$13.0 million, or 6.6%, as compared to the prior year comparable period provision for loan loss of \$197.6 million. The decrease was a result of continued declines in the loss rate.

Depreciation and other amortization. Depreciation and other amortization increased \$2.6 million, or 8.4%, to \$32.9 million for the six months ended June 30, 2010 due to capital additions including internally developed software projects placed in service during the second half of 2009 and 2010.

Amortization of purchased intangibles. Amortization of purchased intangibles increased \$5.6 million, or 18.7%, to \$35.7 million for the six months ended June 30, 2010 as a result of the intangible assets acquired in the October 2009 acquisition of the Charming Shoppes credit card program.

Interest expense. Total interest expense, net increased \$101.2 million, or 154.7%, to \$166.6 million for the six months ended June 30, 2010 from \$65.4 million for the comparable period in 2009. The increase was due to the following:

- *Securitization funding costs.* Securitization funding costs were \$85.2 million for the six months ended June 30, 2010. In 2009, these costs were netted against securitization income and totaled \$68.4 million. Increases in securitization funding costs are due to increased borrowings from the growth in the portfolio as compared to June 30, 2009, and the amortization of securitized fees.
- *Interest expense on certificates of deposit.* Interest expense on certificates of deposit increased \$3.0 million to \$16.2 million for the six months ended June 30, 2010 from \$13.2 million for the comparable period in 2009 due to higher average balances offset in part by a decline in interest rates.

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- *Interest expense on long-term and other debt, net.* Interest expense on long-term and other debt, net increased \$12.9 million, or 24.7%, to \$65.1 million for the six months ended June 30, 2010 from \$52.2 million for the comparable period in 2009. The increase in interest expense resulted from a \$9.9 million increase in the amortization of the discount associated with our convertible senior notes, an increase of \$1.3 million for our credit facilities due to higher average balances and the amortization of debt issuance costs of \$1.2 million.

Merger costs (reimbursements). In 2010, there were no merger costs or reimbursements. During the six months ended June 30, 2009, we received a reimbursement of \$0.5 million from costs associated with our proposed merger with an affiliate of The Blackstone Group. We do not anticipate any future costs associated with the proposed merger.

Taxes. Income tax expense increased \$12.7 million, or 28.0%, to \$58.1 million for the six months ended June 30, 2010 from \$45.4 million for the comparable period in 2009 due to an increase in taxable income, partially offset by a decrease in our effective tax rate to 38.2% for the three months ended June 30, 2010 from 38.8% for the comparable period in 2009.

Income (Loss) from discontinued operations. In 2010, there were no gains or losses associated with discontinued operations. Loss from discontinued operations, net of taxes, of \$14.1 million in the six months ended June 30, 2009 related to the sale of the remaining portion of our utility services business, offset by income from the terminated operations of our credit program for web and catalog retailer VENUE.

Segment Information:

Revenue. Total revenue increased \$396.3 million, or 42.3%, to \$1.33 billion for the six months ended June 30, 2010 from \$937.0 million for the comparable period in 2009. The increase was due to the following:

- *LoyaltyOne.* Revenue increased \$63.2 million, or 19.3%, to \$391.2 million for the six months ended June 30, 2010 due to a favorable foreign currency exchange rate. The average foreign currency exchange rate for the current year period increased to \$0.97 as compared to \$0.83 in the prior year period, which favorably impacted revenue by \$53.2 million. In local currency (Canadian dollars), revenue increased approximately CAD \$7.1 million, or 1.8%. Although redemption revenue increased CAD \$3.4 million, or 1.2%, miles redeemed increased 9.7%. This was a result of a decline in the amortization of deferred revenue related to the conversion of a certain split fee to non-split fee program as the AIR MILES reward miles acquired have been redeemed. As of June 30, 2010, there is a minimal amount of this deferred revenue remaining. Issuance revenue in local currency also increased \$6.4 million as AIR MILES reward miles issued grew 4.5%. As 2010 progresses, we expect AIR MILES reward miles issued to continue to return to a growth rate of 7% – 8%, consistent with historical growth periods.
- *Epsilon.* Revenue increased \$22.8 million, or 9.5%, to \$263.3 million for the six months ended June 30, 2010. The database/digital businesses continued their trend of double-digit organic revenue growth, increasing 12.2% as compared to the six months ended June 30, 2009. Momentum in this group continues to build as, increasingly, large multi-national companies are directing a portion of their marketing spend to Epsilon. These businesses have benefited from the number of client signings in 2009 which has continued into 2010 with two large client wins and three expansion agreements. Our large catalog coalition database, Abacus, achieved solid revenue growth of 14.1% during the six months ended June 30, 2010, continuing the positive trend from the first quarter of 2010. The data sector continues to show positive momentum, signifying the demand that marketers have for rich insight to drive targeted marketing initiatives. The growth in strategic database and our catalog business was partially offset by declines in our agency business.
- *Private Label Services and Credit.* Revenue increased \$336.5 million, or 97.3%, to \$682.5 million for the six months ended June 30, 2010. On a conformed presentation, adjusting 2009 revenue for

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securitization funding costs and credit losses which totaled \$612.0 million, revenue increased \$70.5 million, or 11.5%. The increase was a result of continued positive trends in portfolio growth of 21.5% and credit sales growth of 16.6%. The increase was in part mitigated by a slight decline in gross yield, which was 24.6% for the current period as compared to 25.9% for the prior period. Gross yields dipped temporarily in February 2010 upon the implementation of certain provisions of the CARD Act. However, the March 2010 implementation of new cardholder terms returned gross yields to historic levels, where they are anticipated to remain.

- *Corporate/Other.* Revenue decreased \$21.3 million to \$1.2 million for the six months ended June 30, 2010 due to a decline of \$18.9 million in transition services revenue from agreements associated with the acquirers of our merchant services and utility services businesses, which were no longer in place in 2010.

Adjusted EBITDA. For purposes of the discussion below, adjusted EBITDA is equal to income from continuing operations plus stock compensation expense, provision for income taxes, interest expense, net, merger and other costs, depreciation and amortization. Adjusted EBITDA increased \$135.9 million, or 49.6%, to \$410.2 million for the six months ended June 30, 2010 from \$274.3 million for the comparable period in 2009. The increase was due to the following:

- *LoyaltyOne.* Adjusted EBITDA increased \$19.0 million, or 20.4%, to \$112.3 million and adjusted EBITDA margin increased to 28.7% for the six months ended June 30, 2010 compared to 28.4% in the same period in 2009. The increase in 2010 was driven by the impact of a foreign exchange loss of \$15.9 million in the second quarter of 2009 related to certain U.S. investments, as well as the impact of a favorable currency exchange. In local currency, excluding the impact of the foreign currency exchange loss, adjusted EBITDA decreased CAD \$12.5 million. The decline in adjusted EBITDA is largely due to lower margins on AIR MILES reward miles redeemed as well as increased marketing costs due to the timing of certain marketing campaigns.
- *Epsilon.* Adjusted EBITDA increased \$6.0 million, or 11.5%, to \$58.6 million and adjusted EBITDA margin increased to 22.2% for the six months ended June 30, 2010 compared to 21.8% in the same period in 2009. This was driven by revenue growth of 9.5%, offset by increases in payroll costs due to an increase in headcount. This increase in employees is expected to support anticipated revenue growth in the second half of the year.
- *Private Label Services and Credit.* Adjusted EBITDA increased \$124.5 million, or 83.9%, to \$273.0 million for the six months ended June 30, 2010 while adjusted EBITDA margin decreased to 40.0% for the six months ended June 30, 2010 compared to 42.9% in the same period in 2009. On a conformed presentation, adjusting 2009 for funding costs of \$197.6 million due to the adoption of ASC 860 and ASC 810, adjusted EBITDA increased \$56.1 million, or 25.9%, and adjusted EBITDA margin increased to 40.0% from 35.4%. Adjusted EBITDA and adjusted EBITDA margin were positively impacted by the increases in our average credit card receivable balances which increased 21.5% from 2009, increases in our credit sales which increased 16.6% from 2009 and an improvement in credit losses as compared to the prior year.
- *Corporate/Other.* Adjusted EBITDA decreased \$10.2 million to a loss of \$30.2 million for the six months ended June 30, 2010 related to \$2.6 million in severance costs and an increase in incentive compensation as compared to the prior year period. Also, the second quarter of 2009 was impacted by a \$2.6 million non-income based tax benefit which did not reoccur in 2010.

Asset Quality

Our delinquency and net charge-off rates reflect, among other factors, the credit risk of our private label credit card receivables, the average age of our various private label credit card account portfolios, the success of our collection and recovery efforts, and general economic conditions. The average age of our private label credit

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card portfolio affects the stability of delinquency and loss rates of the portfolio. We continue to focus resources on refining our credit underwriting standards for new accounts and on collections and post charge-off recovery efforts to minimize net losses.

An older private label credit card portfolio generally drives a more stable performance in the portfolio. At June 30, 2010, 63.4% of our accounts with balances and 64.4% of receivables were for accounts with origination dates greater than 24 months old. At June 30, 2009, 63.2% of our accounts with balances and 62.8% of receivables were for accounts with origination dates greater than 24 months old.

Delinquencies. A credit card account is contractually delinquent if we do not receive the minimum payment by the specified due date on the cardholder's statement. When an account becomes delinquent, we print a message on the cardholder's billing statement requesting payment. After an account becomes 30 days past due, a proprietary collection scoring algorithm automatically scores the risk of the account rolling to a more delinquent status. The collection system then recommends a collection strategy for the past due account based on the collection score and account balance and dictates the contact schedule and collections priority for the account. If we are unable to make a collection after exhausting all in-house efforts, we engage collection agencies and outside attorneys to continue those efforts.

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

	<u>June 30,</u> <u>2010</u>	<u>% of</u> <u>total</u>	<u>December 31,</u> <u>2009</u>	<u>% of</u> <u>total</u>
(In thousands, except percentages)				
Receivables outstanding—principal	\$4,816,039	100%	\$5,332,777	100%
Principal receivables balances contractually delinquent:				
31 to 60 days	86,200	1.8	97,024	1.8
61 to 90 days	60,197	1.2	70,423	1.3
91 or more days	115,816	2.4	157,449	3.0
Total	<u>\$ 262,213</u>	<u>5.4%</u>	<u>\$ 324,896</u>	<u>6.1%</u>

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

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
(In thousands)				
Average credit card receivables	\$4,992,034	\$4,136,726	\$5,088,590	\$4,187,559
Net charge-offs	\$ 112,424	103,558	234,690	197,547
Net charge-offs as a percentage of average credit card receivables (annualized)	9.0%	10.0%	9.2%	9.4%

Liquidity and Capital Resources

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

We generated cash flow from operating activities of \$446.5 million and \$213.1 million for the six months ended June 30, 2010 and 2009, respectively. The increase in operating cash flows was due to increased

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profitability, including non-cash charges to income such as an increase of \$184.6 million in the provision for loan loss as a result of the consolidation of the credit card securitization trusts. We also generated positive operating cash flow of \$33.5 million from increases in working capital, including the timing of payments for other assets. Also impacting cash flow from operations was amounts due from trusts. In 2009, the amounts due from the trusts were included in other assets and resulted in a use of cash as amounts increased during the period. In 2010, with the consolidation of the securitization trusts upon the adoption of ASC 860 and ASC 810, amounts due from the securitization trusts were eliminated. We utilize our cash flow from operations for ongoing business operations, acquisitions and capital expenditures.

Investing Activities. Cash provided by investing activities was \$184.9 million for the six months ended June 30, 2010. Cash used by investing activities was \$249.4 million for the six months ended June 30, 2009. Significant components of investing activities are as follows:

- *Credit Card Receivables Funding.* Cash increased \$276.4 million due to a decline in receivables from the seasonal pay down of our credit card receivables.
- *Cash Collateral, Restricted.* Cash decreased \$95.1 million due to increased funding in our credit card securitization trusts' cash collateral accounts.
- *Capital Expenditures.* Our capital expenditures for the six months ended June 30, 2010 were \$31.5 million compared to \$24.2 million for the comparable period in 2009. We anticipate capital expenditures to be approximately 3% of annual revenue for the foreseeable future.

Financing Activities. Cash used in financing activities was \$674.3 million for the six months ended June 30, 2010 as compared to \$8.1 million for the six months ended June 30, 2009. Our financing activities during the six months ended June 30, 2010 relate primarily to borrowings and repayments of debt, including certificates of deposit and asset-backed securities debt, and repurchases of common stock.

Adoption of ASC 860 and ASC 810. The consolidation of the WFN Trusts and the WFC Trust resulted in \$81.6 million in cash and cash equivalents as of January 1, 2010, which is shown separately from operating, financing and investing activities.

Liquidity Sources. In addition to cash generated from operating activities, our primary sources of liquidity include our securitization program, certificates of deposit issued by WFNNB, WFCB, our credit facility and issuances of equity securities.

In addition to our efforts to renew and expand our current facilities, we continue to seek new sources of liquidity. We have also expanded our brokered certificates of deposit to supplement liquidity for our credit card receivables.

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

Securitization Program. Since January 1996, we have sold a majority of the credit card receivables originated by WFNNB to WFN Credit Company, LLC and WFN Funding Company II, LLC, which in turn sold them to the WFN Trusts as part of our securitization program. In September 2008, we initiated a securitization program for the credit card receivables originated by WFCB, selling them to World Financial Capital Credit Company, LLC which in turn sold them to the WFC Trust. These securitization programs are the primary vehicle through which we finance WFNNB's and WFCB's credit card receivables.

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

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

As of June 30, 2010, the WFN Trusts and the WFC Trust had approximately \$4.3 billion of securitized credit card receivables. Securitizations require credit enhancements in the form of cash, spread deposits and additional receivables. The credit enhancement is principally based on the outstanding balances of the series issued by the WFN Trusts and the WFC Trust and by the performance of the private label credit cards in these securitization trusts.

In March 2010, Master Trust II issued \$100.8 million of term asset-backed securities to investors. The offering consisted of \$65.0 million of Class A Series 2010-1 asset-backed notes that have a fixed interest rate of 4.2% per year, \$9.8 million of Class M Series 2010-1 asset-backed notes that have a fixed interest rate of 5.3% per year, \$6.6 million of Class B Series 2010-1 asset-backed notes that have a fixed interest rate of 6.3% per year, \$11.6 million of Class C Series 2010-1 asset-backed notes that have a fixed interest rate of 7.0% per year and \$7.8 million of Class D Series 2010-1 zero-coupon notes which were retained by us. The Class A notes will mature in November 2012, the Class M notes will mature in December 2012, the Class B notes will mature in January 2013, the Class C notes will mature in February 2013 and the Class D notes will mature in March 2013. With the consolidation of the WFN Trusts, the Class D Series 2010-1 notes are eliminated from the unaudited condensed consolidated financial statements.

At June 30, 2010, we had \$3.4 billion of asset-backed securities debt — owed to securitization investors, of which \$253.6 million is due within the next 12 months.

In July 2010, Master Trust I issued \$450.0 million of term asset-backed securities to investors in a public offering. The offering consisted of \$355.5 million of Class A Series 2010-A asset-backed notes that have a fixed interest rate of 3.96% per year, \$16.9 million of Class M Series 2010-A asset-backed notes that have a fixed interest rate of 5.2% per year, \$21.4 million of Class B Series 2010-A asset-backed notes that have a fixed interest rate of 6.75% per year and \$56.2 million of Class C Series 2010-A asset-backed notes that have a fixed interest rate of 5.0% per year. The Class A, Class M, Class B and Class C notes will all mature in June 2015. The Class C Series 2010-A notes were retained by us. With the consolidation of the WFN Trusts, the Class C Series 2010-A notes are eliminated from the unaudited condensed consolidated financial statements.

During the first quarter of 2010, we renewed our \$550.0 million 2009-VFC1 conduit facility under Master Trust III, extending the maturity to September 30, 2011.

During the second quarter of 2010, we renewed our \$1.2 billion 2009-VFN conduit facility under Master Trust I, extending the maturity to June 23, 2011, and our \$275.0 million 2009-VFN conduit facility under the WFC Trust, extending the maturity to June 3, 2011.

Debt

On June 18, 2010, we amended our \$750.0 million unsecured revolving credit facility to clarify the application of ASC 860 and ASC 810 and the calculation of covenant compliance.

On June 18, 2010, we amended our term loan agreement to clarify the application of ASC 860 and ASC 810 and the calculation of covenant compliance. In addition, the amendment removed the prepayments that were required beginning June 30, 2010 and now provides that principal payments be paid at maturity, March 30, 2012.

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On August 6, 2010, we, as borrower, and ADS Alliance Data Systems, Inc., ADS Foreign Holdings, Inc., Alliance Data Foreign Holdings, Inc., Epsilon Marketing Services, LLC and Epsilon Data Management, LLC, as guarantors, entered into a term loan agreement, or 2010 Term Loan, with the Bank of Montreal, as administrative agent, and various other agents and banks. The 2010 Term Loan is an unsecured loan in the amount of \$200.0 million with the option, up to sixty days after the closing date, to increase the amount by \$100.0 million up to a total loan amount of \$300.0 million. We borrowed \$221.0 million on August 6, 2010, and \$79.0 million remains available on the option to increase. The proceeds were used to refinance existing indebtedness. Amounts borrowed under the 2010 Term Loan are scheduled to mature on March 30, 2012.

As of June 30, 2010, we were in compliance with our financial covenants. See Note 8, "Debt," of the Notes to Unaudited Condensed Consolidated Financial Statements for more information related to our debt.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

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

There has been no material change from our Annual Report on Form 10-K for the year ended December 31, 2009 related to our exposure to market risk from interest rate risk, credit risk, foreign currency exchange rate risk and redemption reward risk.

Item 4. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of June 30, 2010, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2010 (the end of our second fiscal quarter), our disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This Form 10-Q and the documents incorporated by reference herein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may use words such as "anticipate," "believe," "estimate," "expect," "intend," "predict," "project" and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management's beliefs and assumptions, using information currently available to us. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed in the "Risk Factors" section in Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2009 and Item 1A. of Part II of this Quarterly Report.

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If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements contained in this quarterly report reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. We have no intention, and disclaim any obligation, to update or revise any forward-looking statements, whether as a result of new information, future results or otherwise, except as required by law.

PART II

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

Other than as set forth below, there have been no material changes to the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009 or our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, may adversely impact our business.

The recently enacted Dodd-Frank Act institutes a wide range of reforms that will have an impact on all financial institutions, including WFNNB and WFCB. It covers changes to the deposit insurance and financial regulatory systems, enhanced bank capital requirements, new regulations to protect consumers in financial transactions, and the creation of a new federal agency to administer and enforce consumer and fair lending laws. The Dodd-Frank Act also includes enhanced corporate governance and executive compensation standards and disclosures for public companies. The federal preemption of state consumer financial laws currently accorded federally chartered depository institutions will be reduced as well.

The Dodd-Frank Act requires a study by the Comptroller General of the United States to determine whether to eliminate the exceptions to the definition of “bank” under the Bank Holding Company Act of 1956 for credit card banks, industrial loan companies, trust companies and savings and loan associations; the results of the study must be submitted to Congress within 18 months after the enactment of the Dodd-Frank Act. Any subsequent legislation eliminating the exception for credit card banks and industrial loan companies could adversely impact us.

The Dodd-Frank Act will also increase the regulation of the securitization markets by, among other things, requiring securitizers and originators to retain an economic interest in a portion of the credit risk for any asset that they securitize or originate and giving broader powers to the SEC to regulate credit rating agencies and adopt regulations governing these organizations and their activities. The effect of the Dodd-Frank Act and its implementing regulations is uncertain at this time, but it may impact our ability and desire to issue asset-backed securities in the future.

Many provisions of the Dodd-Frank Act require the adoption of regulations to implement. In addition, the Dodd-Frank Act mandates multiple studies, which could result in additional legislative or regulatory action. The full impact of the Dodd-Frank Act on our business and operations will not be discernible until regulations implementing the statute are written and adopted. New requirements imposed by the Dodd-Frank Act may have a material adverse impact on our business, results of operations and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On January 27, 2010, our Board of Directors authorized a new stock repurchase program to acquire up to \$275.1 million of our outstanding common stock, from February 5, 2010 through December 31, 2010, subject to any restrictions under the terms of our credit agreement or otherwise.

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The following table presents information with respect to those purchases of our common stock made during the three months ended June 30, 2010:

<u>Period</u>	<u>Total Number of Shares Purchased⁽¹⁾</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs⁽²⁾</u> (In millions)
During 2010:				
April 1-30	1,358	\$ 70.74	—	\$ 260.6
May 1-31	1,787	71.70	—	260.6
June 1-30	189,499	60.33	188,000	249.3
Total	<u>192,644</u>	<u>\$ 60.51</u>	<u>188,000</u>	<u>\$ 249.3</u>

⁽¹⁾ During the period represented by the table, 4,644 shares of our common stock were purchased by the administrator of our 401(k) and Retirement Saving Plan for the benefit of the employees who participated in that portion of the plan.

⁽²⁾ On January 27, 2010, our Board of Directors authorized a new stock repurchase program to acquire up to \$275.1 million of our outstanding common stock, from February 5, 2010 through December 31, 2010, subject to any restrictions under the terms of our credit agreement or otherwise.

Item 3. Defaults Upon Senior Securities.

None

Item 4. (Removed and Reserved).

Item 5. Other Information.

(a) None

(b) None

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Item 6. Exhibits.

(a) Exhibits:

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit No. 3.1 to our Registration Statement on Form S-1 filed with the SEC on March 3, 2000, File No. 333-94623).
3.2	Second Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit No. 3.2 to our Registration Statement on Form S-1 filed with the SEC on March 3, 2000, File No. 333-94623).
3.3	First Amendment to the Second Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit No. 3.3 to our Registration Statement on Form S-1 filed with the SEC on May 4, 2001, File No. 333-94623).
3.4	Second Amendment to the Second Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit No. 3.4 to our Annual Report on Form 10-K, filed with the SEC on April 1, 2002, File No. 001-15749).
3.5	Third Amendment to the Second Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit No. 3.2 to our Current Report on Form 8-K, filed with the SEC on February 18, 2009, File No. 001-15749).
3.6	Fourth Amendment to the Second Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit No. 3.2 to our Current Report on Form 8-K, filed with the SEC on December 11, 2009, File No. 001-15749).
4	Specimen Certificate for shares of Common Stock of the Registrant (incorporated by reference to Exhibit No. 4 to our Quarterly Report on Form 10-Q, filed with the SEC on August 8, 2003, File No. 001-15749).
10.1	Sixth Amendment to Purchase and Sale Agreement, dated as of June 9, 2010, by and between WFN Credit Company, LLC and World Financial Network National Bank (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K, filed with the SEC on June 9, 2010, File No. 001-15749).
10.2	Third Amendment to Credit Agreement, dated as of June 18, 2010, by and among Alliance Data Systems Corporation and certain subsidiaries parties thereto as Guarantors, Bank of Montreal, as Administrative Agent and various other agents and banks (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K, filed with the SEC on June 21, 2010, File No. 001-15749).
10.3	First Amendment to Term Loan Agreement, dated as of June 18, 2010, by and among Alliance Data Systems Corporation and certain subsidiaries parties thereto as Guarantors, Bank of Montreal, as Administrative Agent and various other agents and banks (incorporated by reference to Exhibit No. 10.2 to our Current Report on Form 8-K, filed with the SEC on June 21, 2010, File No. 001-15749).
10.4	Supplemental Indenture No. 4 to Master Indenture, dated as of June 28, 2010, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit No. 4.1 to the Current Report on Form 8-K filed with the SEC by World Financial Network Credit Card Master Note Trust and WFN Credit Company, LLC on June 30, 2010, File Nos. 333-113669 and 333-60418).

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<u>Exhibit No.</u>	<u>Description</u>
10.5	Form of Series 2010-A Indenture Supplement, dated as of July 8, 2010, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit No. 4.1 to the Current Report on Form 8-K filed with the SEC by World Financial Network Credit Card Master Note Trust and WFN Credit Company, LLC on July 7, 2010, File Nos. 333-113669 and 333-60418).
10.6	Seventh Amendment to Second Amended and Restated Pooling and Servicing Agreement, dated as of June 28, 2010, among World Financial Network National Bank, WFN Credit Company, LLC and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit No. 4.2 to the Current Report on Form 8-K filed with the SEC by World Financial network Credit Card Master Note Trust and WFN Credit Company, LLC on June 30, 2010, File Nos. 333-113669 and 333-60418).
10.7	First Amendment to Receivables Purchase Agreement, dated as of June 28, 2010, between World Financial Network National Bank and WFN Credit Company, LLC (incorporated by reference to Exhibit No. 4.3 to the Current Report on Form 8-K filed with the SEC by World Financial network Credit Card Master Note Trust and WFN Credit Company, LLC on June 30, 2010, File Nos. 333-113669 and 333-60418).
10.8	Seventh Amendment to Transfer and Servicing Agreement, dated as of June 28, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust (incorporated by reference to Exhibit No. 4.4 to the Current Report on Form 8-K filed with the SEC by World Financial network Credit Card Master Note Trust and WFN Credit Company, LLC on June 30, 2010, File Nos. 333-113669 and 333-60418).
*10.9	Amended and Restated Series 2009-VFN Indenture Supplement, dated as of June 24, 2010, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A.
*10.10	Amended and Restated Series 2009-VFN Indenture Supplement, dated as of June 4, 2010, between World Financial Capital Master Note Trust and U.S. Bank National Association.
*10.11	Amendment No. 1 to Receivables Purchase Agreement, dated as of June 4, 2010, between World Financial Capital Bank and World Financial Capital Credit Company, LLC.
*10.12	Amendment No. 1 to Transfer and Servicing Agreement, dated as of June 4, 2010, among World Financial Capital Credit Company, LLC, World Financial Capital Bank and World Financial Capital Master Note Trust.
*10.13	Lease Agreement, dated as of May 19, 2010, between Brandywine Operating Partnership, L.P. and ADS Alliance Data Systems, Inc.
*31.1	Certification of Chief Executive Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
*31.2	Certification of Chief Financial Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
*32.1	Certification of Chief Executive Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
*32.2	Certification of Chief Financial Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.

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<u>Exhibit No.</u>	<u>Description</u>
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

+ Management contract, compensatory plan or arrangement

WORLD FINANCIAL NETWORK CREDIT CARD MASTER NOTE TRUST

Issuer

And

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Indenture Trustee

**AMENDED AND RESTATED
SERIES 2009-VFN INDENTURE SUPPLEMENT**

Dated as of June 24, 2010

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AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT, dated as of June 24, 2010 (the "Indenture Supplement"), between WORLD FINANCIAL NETWORK CREDIT CARD MASTER NOTE TRUST, a trust organized and existing under the laws of the State of Delaware (herein, the "Issuer" or the "Trust"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (formerly known as The Bank of New York Trust Company, N.A. and as successor to BNY Midwest Trust Company), a national banking association, not in its individual capacity, but solely as indenture trustee (herein, together with its successors in the trusts thereunder as provided in the Master Indenture referred to below, the "Indenture Trustee") under the Master Indenture, dated as of August 1, 2001 (as amended from time to time, the "Indenture"), between the Issuer and the Indenture Trustee (the Indenture, together with this Indenture Supplement, the "Agreement").

WHEREAS, the parties hereto are party to the Series 2009-VFN Indenture Supplement, dated as of September 29, 2009 (the "Original Indenture Supplement").

In consideration of the mutual agreements contained herein, the Original Indenture Supplement is hereby amended and restated in its entirety as follows and each party agrees as follows for the benefit of the other party and the Series 2009-VFN Noteholders.

NOW THEREFORE, the parties hereto hereby agree as follows:

Pursuant to Section 2.11 of the Indenture, the Transferor may direct the Issuer to issue one or more Series of Notes. The Principal Terms of this Series are set forth in this Indenture Supplement to the Indenture.

ARTICLE I.

Creation of the Series 2009-VFN Notes

Section 1.1 Designation.

(a) Pursuant to the Indenture and the Original Indenture Supplement, a Series of Notes was issued known as "World Financial Network Credit Card Master Note Trust, Series 2009-VFN" or the "Series 2009-VFN Notes." The Series 2009-VFN Notes were issued in three Classes, known as the "Class A Series 2009-VFN Floating Rate Asset Backed Notes", the "Class B Series 2009-VFN Asset Backed Notes", and the "Class M Series 2009-VFN Asset Backed Notes". The Series 2009-VFN Notes shall be Variable Interests. Notwithstanding anything to the contrary in Section 2.5 of the Indenture, the Administrator shall not be required to deliver a certification as to the requirements of Section 8-401 with respect to any transfer of the Series 2009-VFN Notes contemplated by the Class A Note Purchase Agreement, the Class M Note Purchase Agreement or the YCF Assignment (as defined in the Class A Note Purchase Agreement) on the Amendment Date (the "Amendment Date Assignments") and such documents shall be the only instruments of transfer required in connection with the Amendment Date Assignments.

(b) The Class A Notes may from time to time be divided into separate ownership tranches (each a "Class A Ownership Tranche") which shall be identical in all respects, except for their respective Class A Maximum Principal Balances, Class A Principal Balances and certain matters relating to the rate and payment of interest. The initial allocation of Class A Notes among Class A Ownership Tranches shall be made, and reallocations among such Class A Ownership Tranches or new Class A Ownership Tranches may be made, as provided in Section 4.1 of this Indenture Supplement and the Class A Note Purchase Agreement.

(c) The Class M Notes may from time to time be divided into separate ownership tranches (each a “Class M Ownership Tranche”) which shall be identical in all respects, except for their respective Class M Maximum Principal Balances, Class M Principal Balances and certain matters relating to the rate and payment of interest. The initial allocation of Class M Notes among Class M Ownership Tranches shall be made, and reallocations among such Class M Ownership Tranches or new Class M Ownership Tranches may be made, as provided in Section 4.1 of this Indenture Supplement and the Class M Note Purchase Agreement.

(d) Series 2009-VFN shall be included in Group One and shall be a Principal Sharing Series. Series 2009-VFN shall be an Excess Allocation Series with respect to Group One only. Series 2009-VFN shall not be subordinated to any other Series.

ARTICLE II.

Definitions

Section 2.1 Definitions.

(a) Whenever used in this Indenture Supplement, the following words and phrases shall have the following meanings, and the definitions of such terms are applicable to the singular as well as the plural forms of such terms and the masculine as well as the feminine and neuter genders of such terms.

“Additional Amounts” means, for any date of determination, the sum of (x) the Class A Additional Amounts, (y) the Class M Additional Amounts and (z) the Class B Additional Amounts.

“Additional Minimum Transferor Amount” means (a) as of any date of determination falling in November, December and January of each calendar year, the product of (i) 2% and (ii) the sum of (A) the Aggregate Principal Receivables and (B) if such date of determination occurs prior to the Certificate Trust Termination Date, the amount on deposit in the Excess Funding Account and (b) as of any date of determination falling in any other month, zero; provided that the amount specified in clause (a) shall be without duplication with the amount specified as the “Additional Minimum Transferor Amount” in the Series Supplement relating to the Series 2007-VFC Certificates (or in any future supplement to the Pooling and Servicing Agreement that specifies such an amount and indicates that such amount is without duplication of the amount specified in clause (a)) and in the Indenture Supplements relating to the Series 2004-C Notes, Series 2006-A Notes and Series 2008-A Notes, Series 2009-A Notes, Series 2009-B Notes, Series 2009-C Notes, Series 2009-D Notes and the Series 2009-VFN Notes (or in any future Indenture Supplement that specifies such an amount and indicates that such amount is without duplication of the amount specified in clause (a)). The Additional Minimum Transferor Amount is specified pursuant to Section 9.7 of this Indenture Supplement as an additional amount to be considered part of the Minimum Transferor Amount.

“Aggregate Investor Default Amount” means, as to any Monthly Period, the sum of the Investor Default Amounts in respect of such Monthly Period.

“Allocation Percentage” means, with respect to any Monthly Period, the percentage equivalent of a fraction:

(a) the numerator of which shall be equal to:

(i) for Principal Collections during the Revolving Period and for Finance Charge Collections and Default Amounts at any time, the Collateral Amount at the end of the last day of the prior Monthly Period (or, in the case of the Monthly Period in which the Closing Date occurs, on the Closing Date), less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated; provided, however, that with respect to any Monthly Period in which a Reset Date occurs as a result of a Class A Incremental Funding, Class M Incremental Funding, Class B Incremental Funding or the issuance of a new Series, the numerator determined pursuant to this clause (i) shall be (A) the Collateral Amount as of the close of business on the later of the last day of the prior Monthly Period or the preceding Reset Date, in each case less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated (to the extent not already subtracted in determining the Collateral Amount), for the period from and including the first day of the current Monthly Period or the preceding Reset Date, as applicable, to but excluding such Reset Date and (B) the Collateral Amount as of the close of business on such Reset Date, less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated (to the extent not already subtracted in determining the Collateral Amount), for the period from and including such Reset Date to the earlier of the last day of such Monthly Period (in which case such period shall include such day) or the next succeeding Reset Date (in which case such period shall not include such succeeding Reset Date); or

(ii) for Principal Collections during the Early Amortization Period and the Controlled Amortization Period, the Collateral Amount at the end of the last day of the Revolving Period, provided, however, that the Transferor may, by written notice to the Indenture Trustee, the Servicer and the Rating Agencies, reduce the numerator used for purposes of allocating Principal Collections to Series 2009-VFN at any time if (x) the Rating Agency Condition shall have been satisfied with respect to such reduction and (y) the Transferor shall have delivered to the Indenture Trustee an Officer’s Certificate to the effect, based on the facts known to such officer at that time, in the reasonable belief of the Transferor, such designation will not cause a Series 2009-VFN Early Amortization Event or an event that, after the giving of notice or the lapse of time, would cause a Series 2009-VFN Early Amortization Event to occur with respect to Series 2009-VFN; and

(b) the denominator of which shall be the greater of (x) the Aggregate Principal Receivables determined as of the close of business on the last day of the prior Monthly Period and (y) the sum of the numerators used to calculate the allocation percentages for allocations with respect to Finance Charge Collections, Principal Collections or Default Amounts, as applicable, for all outstanding Series and all outstanding Series under (and as defined in) the Pooling and Servicing Agreement (other than any Series represented by the Collateral Certificate) on such date of determination provided, that if one or more Reset Dates occur in a Monthly Period, the Allocation Percentage for the portion of the Monthly Period falling on and after such Reset Date and prior to any subsequent Reset Date will be recalculated for such period as of the close of business on the subject Reset Date.

“Amendment Date” means June 24, 2010.

“Available Cash Collateral Amount” means with respect to any Transfer Date, an amount equal to the lesser of (a) the amount on deposit in the Cash Collateral Account (before giving effect to any deposit to, or withdrawal from, the Cash Collateral Account made or to be made with respect to such date) and (b) the Required Cash Collateral Amount for such Transfer Date.

“Available Finance Charge Collections” means, for any Monthly Period, an amount equal to the sum of (a) the Investor Finance Charge Collections for such Monthly Period, plus (b) the Excess Finance Charge Collections allocated to Series 2009-VFN for such Monthly Period, plus (c) interest and earnings on funds on deposit in the Cash Collateral Account which will be deposited into the Finance Charge Account on the related Transfer Date to be treated as Available Finance Charge Collections pursuant to subsection 5.10(b).

“Available Principal Collections” means, for any Monthly Period, an amount equal to the sum of (a) the Investor Principal Collections for such Monthly Period, minus (b) the amount of Reallocated Principal Collections with respect to such Monthly Period which pursuant to Section 5.6 are required to be applied on the related Distribution Date, plus (c) any Shared Principal Collections with respect to other Principal Sharing Series (including any amounts on deposit in the Excess Funding Account that are allocated to Series 2009-VFN for application as Shared Principal Collections), plus (d) the aggregate amount to be treated as Available Principal Collections pursuant to clauses 5.4(a)(ix) and (x) for the related Distribution Date.

“Available Spread Account Amount” means, for any Transfer Date, an amount equal to the lesser of (a) the amount on deposit in the Spread Account (exclusive of Investment Earnings on such date and before giving effect to any deposit to, or withdrawal from, the Spread Account made or to be made with respect to such date) and (b) the Required Spread Account Amount, in each case on such Transfer Date.

“Bankrupt Merchant” means any Merchant which fails generally to, or admits in writing its inability to, pay its debts as they become due; or any Merchant for which a proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect such Merchant in an involuntary case under any Debtor Relief Law, or for the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceedings shall continue undismissed or unstayed and in effect for a period of 60 consecutive days or any of the actions sought in such proceeding shall occur; or any Merchant that commences a voluntary case under any Debtor Relief Law, or such Merchant’s consent to the entry of an order for relief in an involuntary case under any Debtor Relief Law, or consent to the appointment of a taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official for any substantial part of its property, or any general assignment for the benefit of creditors; or any Merchant or any Affiliate of such Merchant shall have taken any corporate action in furtherance of any of the foregoing actions with respect to such Merchant.

“Base Rate” means, as to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is equal to the sum of the Monthly Interest, any Class A Non-Use Fees and Class M Non-Use Fees paid pursuant to clauses 5.4(a)(ii) and (vi) and any Class A Rated Additional Amounts and any Class M Rated Additional Amounts each for the related Distribution Period, and the Noteholder Servicing Fee with respect to such Monthly Period, and the denominator of which is the Weighted Average Collateral Amount during such Monthly Period.

“Cash Collateral Account” is defined in subsection 5.10(a).

“Change in Control” means the failure of Holding to own, directly or indirectly, 100% of the outstanding shares of common stock (excluding directors’ qualifying shares) of WFN.

“Class A Additional Amounts” is defined in subsection 5.2(d).

“Class A Breakage Payment” is defined in subsection 5.2(e).

“Class A Fixed Period” is defined in subsection 5.2(a).

“Class A Funding Tranche” is defined in subsection 5.2(a).

“Class A Incremental Funding” means any increase in the Class A Principal Balance during the Revolving Period made pursuant to the Class A Note Purchase Agreement.

“Class A Incremental Principal Balance” means the amount of the increase in the Class A Principal Balance occurring as a result of any Class A Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class A Noteholders pursuant to the Class A Note Purchase Agreement with respect to such Class A Incremental Funding.

“Class A Maximum Principal Balance” means the “Maximum Class A Principal Balance” (as defined in the Class A Note Purchase Agreement), as such amount may be increased or decreased from time to time pursuant to the Class A Note Purchase Agreement. As applied to any particular Class A Note, the “Class A Maximum Principal Balance” means the portion of the overall Class A Maximum Principal Balance represented by that Class A Note.

“Class A Monthly Interest” is defined in subsection 5.2(a).

“Class A Monthly Principal” is defined in subsection 5.3(a).

“Class A Non-Use Fee” is defined in subsection 5.2(d).

“Class A Non-Use Fee Rate” means, with respect to any Class A Ownership Group, the rate specified as the Class A Non-Use Fee Rate in a fee letter between the Transferor and the Class A Noteholders in such Class A Ownership Group.

“Class A Note Purchase Agreement” means the Amended and Restated Note Purchase Agreement, dated as of the Amendment Date, among Transferor, Servicer and each of the initial Class A Noteholders, as supplemented by the BANA Fee Letter, Jupiter Fee Letter, VFCC Fee Letter, Sheffield Fee Letter, Thunder Bay Fee Letter and the Windmill Fee Letter referred to (and defined) therein, and as the same may be amended or otherwise modified from time to time. The Class A Note Purchase Agreement is hereby designated a “Transaction Document” for all purposes of the Agreement and this Indenture Supplement.

“Class A Noteholder” means the Person in whose name a Class A Note is registered in the Note Register.

“Class A Notes” means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-1.

“Class A Ownership Group” means an Ownership Group (as defined in the Class A Note Purchase Agreement).

“Class A Ownership Tranche” is defined in subsection 1.1(b).

“Class A Principal Balance” means, on any Business Day, an amount equal to the result of (a) \$, plus (b) the aggregate amount of all Class A Incremental Principal Balances for all Class A Incremental Fundings occurring after the Closing Date and on or prior to that Business Day (including the increase in the Class A Notes pursuant to Section 3.02(b) of the Class A Note Purchase Agreement), minus (c) the aggregate amount of principal payments made to Class A Noteholders after the Closing Date and on or prior to such Business Day (including any payment described in 3.02(a) of the Note Purchase Agreement). As applied to any particular Class A Note, the “Class A Principal Balance” means the portion of the overall Class A Principal Balance represented by that Class A Note. The Class A Principal Balance shall be allocated among the Class A Ownership Tranches as provided in the Class A Note Purchase Agreement.

“Class A Pro Rata Percentage” means %

“Class A Rated Additional Amounts” is defined in subsection 5.2(d).

“Class A Required Amount” means, for any Distribution Date, an amount equal to the excess of the amounts described in clauses 5.4(a)(i), (ii) and (iii) over the sum of (a) Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a) and (b) any amount withdrawn from the Cash Collateral Account and applied to pay such amount pursuant to subsection 5.10(c).

“Class A Scheduled Final Payment Date” means the Distribution Date falling in the twelfth month following the month in which the Controlled Amortization Period begins.

“Class A Tranche Rate” means, for any Distribution Period, the Note Rate (as defined in the Class A Note Purchase Agreement) for each Class A Ownership Tranche (or any related Class A Funding Tranche).

“Class A Unrated Additional Amounts” is defined in subsection 5.2(d).

“Class B Additional Amounts” is defined, if at all, in the applicable Class B Note Purchase Agreement.

“Class B Additional Interest” is defined in subsection 5.2(c).

“Class B Deficiency Amount” is defined in subsection 5.2(c).

“Class B Incremental Funding” means any increase in the Class B Principal Balance during the Revolving Period made pursuant to the applicable Class B Note Purchase Agreement.

“Class B Incremental Principal Balance” means the amount of the increase in the Class B Principal Balance occurring as a result of any Class B Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class B Noteholders pursuant to the Class B Note Purchase Agreement with respect to such Class B Incremental Funding.

“Class B Maximum Principal Balance” means the product of (a) a fraction, the numerator of which is the Class A Maximum Principal Balance and the denominator of which is the Class A Pro Rata Percentage and (b) the Class B Pro Rata Percentage, as such amount may be increased or decreased from time to time pursuant to the Class B Note Purchase Agreement. As applied to any particular Class B Note, the “Class B Maximum Principal Balance” means the portion of the overall Class B Maximum Principal Balance represented by that Class B Note.

“Class B Monthly Interest” is defined in subsection 5.2(c).

“Class B Monthly Principal” is defined in subsection 5.3(c).

“Class B Note Interest Rate” means %.

“Class B Note Purchase Agreement” means any of the Note Purchase Agreements, entered into among WFN, the Transferor and each party that purchases Class B Notes from the Transferor.

“Class B Noteholder” means the Person in whose name a Class B Note is registered in the Note Register.

“Class B Notes” means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-2.

“Class B Principal Balance” means, on any Business Day, an amount equal to the result of (a) \$ _____, plus (b) the aggregate amount of all Class B Incremental Principal Balances for all Class B Incremental Fundings occurring after the Closing Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class B Noteholders after the Closing Date and on or prior to such date. As applied to any particular Class B Note, the “Class B Principal Balance” means the portion of the overall Class B Principal Balance represented by that Class B Note.

“Class B Pro Rata Percentage” means ____ %.

“Class B Required Amount” means, for any Distribution Date, an amount equal to the excess of the amount described in clause 5.4(a)(viii), over the sum of (a) Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a) and (b) any amount withdrawn from the Cash Collateral Account and applied to pay such amount pursuant to subsection 5.10(c).

“Class M Additional Amounts” is defined in subsection 5.2(f).

“Class M Breakage Payment” is defined in subsection 5.2(g).

“Class M Fixed Period” is defined in subsection 5.2(b).

“Class M Funding Tranche” is defined in subsection 5.2(b).

“Class M Incremental Funding” means any increase in the Class M Principal Balance during the Revolving Period made pursuant to the applicable Class M Note Purchase Agreement.

“Class M Incremental Principal Balance” means the amount of the increase in the Class M Principal Balance occurring as a result of any Class M Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class M Noteholders pursuant to the applicable Class M Note Purchase Agreement with respect to such Class M Incremental Funding.

“Class M Maximum Principal Balance” means the “Maximum Principal Balance” (as defined in the Class M Note Purchase Agreement), as such amount may be increased or decreased from time to time pursuant to the Class M Note Purchase Agreement. As applied to any particular Class M Note, the “Class M Maximum Principal Balance” means the portion of the overall Class M Maximum Principal Balance represented by that Class M Note.

“Class M Monthly Interest” is defined in subsection 5.2(b).

“Class M Monthly Principal” is defined in subsection 5.3(b).

“Class M Non-Use Fee” is defined in subsection 5.2(f).

“Class M Non-Use Fee Rate” means, with respect to any Ownership Group, the rate specified as the Class M Non-Use Fee Rate in a fee letter between the Transferor and the Class M Noteholders in such Class M Ownership Group.

“Class M Ownership Group” means an Ownership Group (as defined in the Class M Note Purchase Agreement).

“Class M Note Purchase Agreement” means any the Class M Note Purchase Agreement, dated as of the Amendment Date, entered into among the Transferor, Servicer and the Class M Noteholders party thereto, as supplemented by BANA Fee Letter, Jupiter Fee Letter, VFCC Fee Letter, Sheffield Fee Letter, Thunder Bay Fee Letter and the Windmill Fee Letter referred to (and defined) therein, and as the same may be amended or otherwise modified from time to time. The Class M Note Purchase Agreement is hereby designated a “Transaction Document” for all purposes of the Agreement and this Indenture Supplement.

“Class M Noteholder” means the Person in whose name a Class M Note is registered in the Note Register.

“Class M Notes” means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-2.

“Class M Ownership Tranche” is defined in subsection 1.1(c).

“Class M Principal Balance” means, on any Business Day, an amount equal to the result of (a) \$ _____, plus (b) the aggregate amount of all Class M Incremental Principal Balances for all Class M Incremental Fundings occurring after the Amendment Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class M Noteholders after the Amendment Date and on or prior to such Business Day. As applied to any particular Class M Note, the “Class M Principal Balance” means the portion of the overall Class M Principal Balance represented by that Class M Note.

“Class M Pro Rata Percentage” means ____ %.

“Class M Rated Additional Amounts” is defined in subsection 5.2(f).

“Class M Required Amount” means, for any Distribution Date, an amount equal to the excess of the amount described in clauses 5.4(a)(v), (vi) and (vii) over the sum of (a) Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a) and (b) any amount withdrawn from the Cash Collateral Account and applied to pay such amount pursuant to subsection 5.10(c).

“Class M Scheduled Final Payment Date” means the Distribution Date falling in the twelfth month following the month in which the Controlled Amortization Period begins.

“Class M Tranche Rate” means, for any Distribution Period, the Class M Note Rate (as defined in the Class M Note Purchase Agreement) for each Class M Ownership Tranche (or any related Class M Funding Tranche).

“Class M Unrated Additional Amounts” is defined in subsection 5.2(f).

“Closing Date” means September 29, 2009.

“Collateral Amount” means, as of any date of determination, an amount equal to (a) the Note Principal Balance minus (b) the excess, if any, of the aggregate amount of Investor Charge-Offs and Reallocated Principal Collections over the reimbursement of such amounts pursuant to clause 5.4(a)(viii) prior to such date.

“Controlled Amortization Amount” means for any Transfer Date with respect to the Controlled Amortization Period prior to the payment in full of the Note Principal Balance, an amount equal to (a) the Note Principal Balance as of the close of business on the last day of the Revolving Period divided by (b) twelve.

“Controlled Amortization Date” means the “Purchase Expiration Date” (as such term is defined in the Class A Note Purchase Agreement).

“Controlled Amortization Period” means, unless a Series 2009-VFN Early Amortization Event shall have occurred prior thereto, the period commencing at the close of business on the first Controlled Amortization Date to occur (without being extended as provided in the applicable Note Purchase Agreement) and ending on the earlier to occur of (a) the commencement of the Early Amortization Period, and (b) the Series Termination Date, provided that Transferor may, by written notice to the Indenture Trustee and each Series 2009-VFN Noteholder (and so long as the Early Amortization Period has not begun), cause the Controlled Amortization Period to begin on any date earlier than the one otherwise specified above.

“Controlled Amortization Shortfall” initially means zero and thereafter means, with respect to any Monthly Period during the Controlled Amortization Period, the excess, if any, of the Controlled Payment Amount for the previous Monthly Period over the sum of the amount distributed pursuant to subsection 6.2(a) with respect to the Class A Notes for the previous Monthly Period, the amount distributed pursuant to subsection 6.2(b) with respect to the Class M Notes for the previous Monthly Period and the amount distributed pursuant to subsection 6.2(c) with respect to the Class B Notes for the previous Monthly Period.

“Controlled Payment Amount” means, with respect to any Transfer Date, the sum of (a) the Controlled Amortization Amount for such Transfer Date and (b) any existing Controlled Amortization Shortfall.

“Day Count Fraction” means, as to any Class A Ownership Tranche (or Class A Funding Tranche), any Class M Ownership Tranche (or Class M Funding Tranche) or Class B Note for any Distribution Period, a fraction (a) the numerator of which is the number of days in that Distribution Period (or, if less, the number of days during that Distribution Period during which that Class A Ownership Tranche, Class A Funding Tranche, Class M Ownership Tranche, Class M Funding Tranche or Class B Note was outstanding, including the first, but excluding the last, such day) and (b) the denominator of which is the actual number of days in the related calendar year (or, if so specified in the related Note Purchase Agreement, 360).

“DBRS” means DBRS, Inc.

“Default Amount” means, as to any Defaulted Account, the amount of Principal Receivables (other than Ineligible Receivables, unless there is an Insolvency Event with respect to WFN or the Transferor) in such Defaulted Account on the day it became a Defaulted Account.

“Defaulted Account” means an Account in which there are Defaulted Receivables.

“Designated Maturity” means, for any LIBOR Determination Date, one month; provided that LIBOR for the initial Distribution Period will be determined by straight-line interpolation (based on actual number of days in the initial Distribution Period) between two rates determined in accordance with the definitions of LIBOR, one of which will be determined for a Designated Maturity of one month and the other of which will be determined for a Designated Maturity of two months.

“Dilution” means any downward adjustment made by Servicer in the amount of any Receivable (a) because of a rebate, refund or billing error to an accountholder, (b) because such Receivable was created in respect of merchandise which was refused or returned by an accountholder or (c) for any other reason other than receiving Collections therefor or charging off such amount as uncollectible.

“Distribution Account” is defined in subsection 5.9(a).

“Distribution Date” means November 16, 2009 and the 15th day of each calendar month thereafter, or if such 15th day is not a Business Day, the next succeeding Business Day.

“Distribution Period” means, for any Distribution Date, the period from and including the Distribution Date immediately preceding such Distribution Date (or, in the case of the first Distribution Date, from and including the Closing Date) to but excluding such Distribution Date.

“Early Amortization Period” means the period commencing on the date on which a Trust Early Amortization Event or a Series 2009-VFN Early Amortization Event is deemed to occur and ending on the Series Termination Date.

“Eligible Investments” is defined in Annex A to the Indenture; provided that solely for purposes of Section 5.11(b), references to the “highest investment category” of S&P shall mean A-2 and of Moody’s shall mean P-2; and provided, further, in no event shall any Eligible Investment be an equity security or cause the Trust to have any voting rights in respect of such Eligible Investment.

“Excess Spread Percentage” means, for any Monthly Period, a percentage equal to the Portfolio Yield for such Monthly Period, minus the Base Rate for such Monthly Period.

“Finance Charge Account” is defined in Section 5.9(a).

“Finance Charge Collections” means Collections of Finance Charge Receivables.

“Finance Charge Shortfall” is defined in Section 5.7.

“Group One” means Series 2004-C, Series 2006-A, Series 2008-A, Series 2009-A, Series 2009-B, Series 2009-C, Series 2009-D, Series 2009-VFN, the outstanding Series under (and as defined in) the Pooling and Servicing Agreement (other than Series represented by the Collateral Certificate) and each other Series hereafter specified in the related Indenture Supplement to be included in Group One.

“Incremental Funding” means a Class A Incremental Funding, a Class M Incremental Funding or a Class B Incremental Funding.

“Investment Earnings” means, for any Distribution Date, all interest and earnings on Eligible Investments included in the Spread Account (net of losses and investment expenses) during the Monthly Period immediately preceding such Distribution Date.

“Investor Charge-Offs” is defined in Section 5.5.

“Investor Default Amount” means, with respect to any Defaulted Account, an amount equal to the product of (a) the Default Amount and (b) the Allocation Percentage on the day such Account became a Defaulted Account.

“Investor Finance Charge Collections” means, for any Monthly Period, an amount equal to the aggregate amount of Finance Charge Collections (including Net Recoveries treated as Finance Charge Collections) retained or deposited in the Finance Charge Account for Series 2009-VFN pursuant to clause 5.1(b)(i) for such Monthly Period.

“Investor Principal Collections” means, for any Monthly Period, an amount equal to the aggregate amount of Principal Collections retained or deposited in the Principal Account for Series 2009-VFN pursuant to clause 5.1(b)(ii) for such Monthly Period.

“Investor Uncovered Dilution Amount” means an amount equal to the product of (x) the Series Allocation Percentage for the related Monthly Period (determined on a weighted average basis, if one or more Reset Dates occur during that Monthly Period), times (y) the aggregate Dilutions occurring during that Monthly Period as to which any deposit is required to be made to the Excess Funding Account pursuant to subsection 3.9(a) of the Transfer and Servicing Agreement or subsection 3.9(a) of the Pooling and Servicing Agreement but has not been made, provided that, if the Transferor Amount is greater than zero at the time the deposit referred to in clause (y) is required to be made, the Investor Uncovered Dilution Amount for such amount to be deposited shall be deemed to be zero.

“LIBOR” means, for any Distribution Period, an interest rate per annum for each Distribution Period determined by the Indenture Trustee in accordance with the provisions of Section 5.13.

“LIBOR Determination Date” means (i) September 27, 2009 for the period from and including the Closing Date through and including November 15, 2009 and (ii) the second London Business Day prior to the commencement of the second and each subsequent Distribution Period.

“London Business Day” means any day on which dealings in deposits in United States dollars are transacted in the London interbank market.

“Maximum Principal Balance” means the sum of (a) the Class A Maximum Principal Balance, (b) the Class M Maximum Principal Balance and (c) the Class B Maximum Principal Balance.

“Minimum Transferor Amount” means (a) prior to the Certificate Trust Termination Date, the “Minimum Transferor Amount” under (and as defined in) the Pooling and Servicing Agreement and (b) on and after the Certificate Trust Termination Date, the “Minimum Transfer Amount” as defined in Annex A to the Indenture.

“Monthly Interest” means, for any Distribution Date, the sum of the Class A Monthly Interest, the Class M Monthly Interest and the Class B Monthly Interest for such Distribution Date.

“Monthly Period” means the period from and including the first day of the calendar month preceding a related Distribution Date to and including the last day of such calendar month; provided that the Monthly Period related to the November 2009 Distribution Date shall mean the period from and including the Closing Date to and including the last day of October 2009.

“Monthly Principal” means, on any Distribution Date, the sum of the Class A Monthly Principal, the Class M Monthly Principal and the Class B Monthly Principal with respect to such date.

“Monthly Principal Reallocation Amount” means, for any Monthly Period, an amount equal to the sum of: (a) the lesser of (i) the sum of Class A Required Amount and the Servicing Fee Required Amount and (ii) the excess, if any, of the Collateral Amount over the Class A Principal Balance on the related Distribution Date (after giving effect to Investor Charge-Offs for the related Monthly Period) and (b) the lesser of (i) the Class M Required Amount and (ii) the Collateral Amount over the sum of the Class A Principal Balance and the Class M Principal Balance on the related Distribution Date (after giving effect to Investor Charge-Offs for the related Monthly Period and unreimbursed Reallocated Principal Collections (as of the previous Payment Date and as required in clause (a) above for the current Monthly Period)).

“Note Principal Balance” means, as of any Business Day, the sum of (a) the Class A Principal Balance, (b) the Class M Principal Balance and (c) the Class B Principal Balance.

“Note Purchase Agreements” means the Class A Note Purchase Agreement, the Class M Note Purchase Agreement and the Class B Note Purchase Agreement.

“Noteholder Servicing Fee” is defined in Section 3.1.

“Optional Amortization Amount” is defined in subsection 4.1(b).

“Optional Amortization Date” is defined in subsection 4.1(b).

“Optional Amortization Notice” is defined in subsection 4.1(b).

“Percentage Allocation” is defined in paragraph 5.1(b)(i)(y).

“Portfolio Yield” means, for any Monthly Period, the annualized percentage equivalent of a fraction, (a) the numerator of which is equal to (i) the Available Finance Charge Collections (excluding any Excess Finance Charge Collections), minus (ii) the Aggregate Investor Default Amount and the Investor Uncovered Dilution Amount for such Monthly Period and (b) the denominator of which is the Weighted Average Collateral Amount during such Monthly Period.

“Principal Account” is defined in subsection 5.9(a).

“Principal Collections” means Collections of Principal Receivables.

“Principal Shortfall” is defined in Section 5.8.

“Rating Agency” means each of Fitch and DBRS.

“Rating Agency Condition” means, notwithstanding anything to the contrary in the Indenture, with respect to Series 2009-VFN and any action subject to such condition, (i) DBRS shall have notified the Issuer in writing that such action will not result in a reduction or withdrawal of their respective ratings of any outstanding Class of Series 2009-VFN Notes for which such Rating Agency provides a rating and (ii) 10 days’ prior written notice (or, if 10 days’ advance notice is impracticable, as much advance notice as is practicable) to Fitch delivered electronically to notifications.abs@fitchratings.com.

“Reallocated Principal Collections” means, for any Transfer Date, Investor Principal Collections applied in accordance with Section 5.6 in an amount not to exceed the Monthly Principal Reallocation Amount for the related Monthly Period.

“Reassignment Amount” means, for any Transfer Date, after giving effect to any deposits and distributions otherwise to be made on the related Distribution Date, the sum of (i) the Note Principal Balance on the related Distribution Date, plus (ii) Monthly Interest for the related Distribution Date and any Monthly Interest previously due but not distributed to the Series 2009-VFN Noteholders, plus (iii) the amount of Class M Additional Interest, if any, for the related Distribution Date and any Class M Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (iv) the amount of Class B Additional Interest, if any, for the related Distribution Date and any Class B Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (v) the amount of Class A Non-Use Fees and Class M Non-Use Fees, if any, for the related Distribution Date and any Class A Non-Use Fees and Class M Non-Use Fees previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (vi) the amount of Additional Amounts, if any, for the related Distribution Date and any Additional Amounts previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date.

“Record Date” means, for purposes of Series 2009-VFN with respect to any Distribution Date or Optional Amortization Date, the date falling five Business Days prior to such date.

“Reference Banks” means four major banks in the London interbank market selected by the Servicer.

“Refinancing Date” is defined in subsection 4.1(c).

“Related Class A Ownership Group” means, with respect to any Administrative Agent for, or any Purchaser in, a Class M Ownership Group, any Class A Ownership Group that also includes such Administrative Agent or Purchaser.

“Related Class M Ownership Group” means, with respect to any Administrative Agent for, or any Purchaser in, a Class A Ownership Group, any Class M Ownership Group that also includes such Administrative Agent or Purchaser.

“Required Cash Collateral Amount” means on any date of determination, the sum of (i) % of the Note Principal Balance, after any adjustments (including any increase in the Note Principal Balance) to be made on such date of determination plus (ii) the _____ on such date of determination.

“Required Class B Principal Balance” means on any date of determination, the Class B Pro Rata Percentage times the Note Principal Balance.

“Required Class M Principal Balance” means on any date of determination, the Class M Pro Rata Percentage times the Note Principal Balance.

“Required Draw Amount” is defined in subsection 5.10(c).

“Required Retained Transferor Percentage” means, for purposes of Series 2009-VFN, %.

“Required Spread Account Amount” means, for any Distribution Date, (a) the product of (i) the Spread Account Percentage in effect on such date and (ii) during (x) the Revolving Period, the Collateral Amount and (y) thereafter, the Collateral Amount as of the last day of the Revolving Period; provided, that in no event will the Required Spread Account Amount exceed the Class B Principal Balance (after taking into account any payments to be made on such Distribution Date).

“Reset Date” means:

(a) each Addition Date and each “Addition Date” (as such term is defined in the Pooling and Servicing Agreement), in each case relating to Supplemental Accounts;

(b) each Removal Date and each “Removal Date” (as such term is defined in the Pooling and Servicing Agreement) on which, if any Series of Notes or any Series under (and as defined in) the Pooling and Servicing Agreement has been paid in full, Principal Receivables equal to the initial Collateral Amount or initial Principal Balance for that Series are removed from the Receivables Trust;

(c) each date on which there is an increase in the outstanding balance of any Variable Interest or “Variable Interest” (as such term is defined in the Pooling and Servicing Agreement); and

(d) each date on which a new Series or Class of Notes is issued and each date on which a new “Series” or “Class” (each as defined in the Pooling and Servicing Agreement) of investor certificates is issued by the Certificate Trust.

“Revolving Period” means the period from and including the Closing Date to, but not including, the earlier of (a) the day the Controlled Amortization Period commences and (b) the day the Early Amortization Period commences.

“Series 2009-VFN” means the Series of Notes the terms of which are specified in this Indenture Supplement.

“Series 2009-VFN Early Amortization Event” is defined in Section 7.1.

“Series 2009-VFN Note” means a Class A Note, a Class M Note or a Class B Note.

“Series 2009-VFN Noteholder” means a Class A Noteholder, a Class M Noteholder or a Class B Noteholder.

“Series Account” means, (a) with respect to Series 2009-VFN, the Finance Charge Account, the Principal Account, the Distribution Account, the Cash Collateral Account and the Spread Account, and (b) with respect to any other Series, the “Series Accounts” for such Series as specified in the Indenture and the applicable Indenture Supplement for such Series.

“Series Allocation Percentage” means, with respect to any Monthly Period, the percentage equivalent of a fraction, the numerator of which is the Allocation Percentage for Finance Charge Collections for that Monthly Period and the denominator of which is the sum of the Allocation Percentage for Finance Charge Receivables for all outstanding Series on such date of determination; provided that if one or more Reset Dates occur in a Monthly Period, the Series Allocation Percentages for the portion of the Monthly Period falling on and after each such Reset Date and prior to any subsequent Reset Date will be determined using a denominator which is equal to the sum of the numerators used in determining the Allocation Percentage for Finance Charge Receivables for all outstanding Series as of the close of business on the subject Reset Date.

“Series Servicing Fee Percentage” means 2% per annum.

“Series Termination Date” means the earliest to occur of (a) the Distribution Date falling in the Controlled Amortization Period or an Early Amortization Period on which the Collateral Amount is paid in full, (b) the termination of the Trust pursuant to the Agreement and (c) the Distribution Date on or closest to the date falling 46 months after the commencement of the Early Amortization Period.

“Servicing Fee Required Amount” means, for any Distribution Date, an amount equal to the excess of the amount described in clause 5.4(a)(iv) over the (a) Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a) and (b) any amount withdrawn from the Cash Collateral Account and applied to pay such amount pursuant to subsection 5.10(c).

“Specified Transferor Amount” means, at any time, the Minimum Transferor Amount (including the Additional Minimum Transferor Amount, if any) at that time.

“Spread Account” is defined in subsection 5.11(a).

“Spread Account Deficiency” means the excess, if any, of the Required Spread Account Amount over the Available Spread Account Amount.

“Spread Account Percentage” is defined in the applicable Class B Note Purchase Agreement.

“Target Amount” is defined in clause 5.1(b)(i).

“Transfer” means any sale, transfer, assignment, exchange, participation, pledge, hypothecation, rehypothecation, or other grant of a security interest in or disposition of, a Note.

“Weighted Average Class A Principal Balance” means, as to any Class A Ownership Tranche (or Class A Funding Tranche) for any Distribution Period, the quotient of (a) the summation of the portion of the Class A Principal Balance allocated to that Class A Ownership Tranche (or Class A Funding Tranche) determined as of each day in that Distribution Period, divided by (b) the number of days in that Distribution Period (or, if less, the number of days during that Distribution Period during which that Class A Ownership Tranche or Class A Funding Tranche was outstanding).

“Weighted Average Class M Principal Balance” means, as to any Class M Ownership Tranche (or Class M Funding Tranche) for any Distribution Period, the quotient of (a) the summation of the portion of the Class M Principal Balance allocated to that Class M Ownership Tranche (or Class M Funding Tranche) determined as of each day in that Distribution Period, divided by (b) the number of days in that Distribution Period (or, if less, the number of days during that Distribution Period during which that Class M Ownership Tranche or Class M Funding Tranche was outstanding).

“Weighted Average Collateral Amount” means, for any Monthly Period, the quotient of (a) the summation of the Collateral Amount determined as of each day in that Monthly Period, divided by (b) the number of days in that Monthly Period.

(b) Each capitalized term defined herein shall relate to the Series 2009-VFN Notes and no other Series of Notes issued by the Trust, unless the context otherwise requires. All capitalized terms used herein and not otherwise defined herein have the meanings ascribed to them in Annex A to the Master Indenture, or, if not defined therein, in the Note Purchase Agreements.

(c) The interpretive rules specified in Section 1.2 of the Indenture also apply to this Indenture Supplement. If any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Indenture Supplement shall be controlling.

ARTICLE III.

Noteholder Servicing Fee

Section 3.1 Servicing Compensation. The share of the Servicing Fee allocable to Series 2009-VFN for any Transfer Date (the “Noteholder Servicing Fee”) shall be equal to one-twelfth of the product of (a) the Series Servicing Fee Percentage and (b) the Weighted Average Collateral Amount for the preceding Monthly Period; provided, however, that with respect to the first Transfer Date, the Noteholder Servicing Fee shall instead equal $\frac{32}{360}$ of such product. The remainder of the Servicing Fee shall be paid by the holders of the Transferor Interest or the noteholders of other Series (as provided in the related Indenture Supplements) and in no event shall the Trust, the Indenture Trustee or the Series 2009-VFN Noteholders be liable for the share of the Servicing Fee to be paid by the holders of the Transferor Interest or the noteholders of any other Series.

Section 3.2 Representations and Warranties. The parties hereto agree that the representations, warranties and covenants set forth in Schedule I shall be a part of this Indenture Supplement for all purposes.

ARTICLE IV.

Variable Funding Mechanics

Section 4.1 Variable Funding Mechanics

(a) Class A Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may notify one or more Class A Noteholders that a Class A Incremental Funding will occur, subject to the conditions of the Class A Note Purchase Agreement, with respect to the related Class A Ownership Tranche(s) on the next or any subsequent Business Day by delivering a Notice of Class A Incremental Funding (as defined in the Class A Note Purchase Agreement) executed by Transferor and Servicer to the Administrative Agent for each such Class A Noteholder, specifying the amount of such Class A Incremental Funding and the Business Day upon which such Class A Incremental Funding is to occur. The amount of Class A Incremental Funding allocated to each Class A Ownership Group, together with the amount of Class M Incremental Funding allocated to the related Class M Ownership Group to be made on the same date, shall be a minimum amount of \$1,000,000 or a higher integral multiple thereof for each Class A Ownership Group and the Related Class M Ownership Group, except that a Class A Incremental Funding may be requested in the entire remaining Class A Purchase Limit of the related Class A Ownership Group. Upon any Class A Incremental Funding, the Class A Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein. The increase in the Class A Principal Balance shall be allocated to the Class A Notes held by the Class A Noteholders from which purchase prices were received in connection with the Class A Incremental Funding in proportion to the amount of such purchase prices received.

(b) Optional Amortization. On any Business Day in the Revolving Period or the Controlled Amortization Period, Transferor may cause Servicer to provide notice to the Indenture Trustee and the affected Noteholders (an “Optional Amortization Notice”) at least two Business Days prior to any Business Day (the “Optional Amortization Date”) stating its intention to cause a full or partial amortization of the Class A Notes, the Class M Notes and the Class B Notes with Available Principal Collections on the Optional Amortization Date, in full, or in part in an amount (the “Optional Amortization Amount”), which shall be allocated among the Class A Notes, the Class M Notes and the Class B Notes, based on the Class A Pro Rata Percentage, the Class M Pro Rata Percentage and the Class B Pro Rata Percentage, respectively. The portion of the Optional Amortization Amount allocated to any Class A Ownership Group and the Related Class M Ownership Group shall be in an aggregate amount not less than \$1,000,000 or a higher integral multiple thereof, except that the Optional Amortization Amount allocated to any Class A Ownership Group may equal the entire Principal Balance of the related Class A Note for such Class A Ownership Group and that the Optional Amortization Amount allocated to any Class M Ownership Group may equal the entire Principal Balance of the related Class M Note for such Class M Ownership Group. The Optional Amortization Notice shall state the Optional Amortization Date, the Optional Amortization Amount and the allocation of such Optional Amortization Amount among the various Classes, Class A Ownership Groups and Class M Ownership Groups; provided that if the Administrative Agent for, or any Purchaser in, a Class A Ownership Group to which a portion of the Optional Amortization Amount is allocated is also the Administrative Agent for, or a Purchaser in, a Class M Ownership Group (a “Related Class M Ownership Group”), then a corresponding portion of the Optional Amortization Amount must be allocated to the Related Class M Ownership Group so that proportion of the principal amount of the Class A Notes funded by such Class A Ownership Group to the principal amount of the Class M Notes funded by the Related Class M Ownership Group would not change as a result of the allocation of the Optional Amortization Amount. The Optional Amortization Amount shall be paid from Shared Principal Collections pursuant to Section 5.8. Allocation of the Optional Amortization Amount among the various outstanding Class A Funding Tranches shall be at the discretion of Transferor, and accrued interest and any Class A Additional Amounts on the affected Class A Funding Tranches shall be payable on the first Distribution Date on or after the related Optional Amortization Date. Allocation of the Optional Amortization Amount among the various outstanding Class M Funding Tranches shall be at the discretion of Transferor, and accrued interest and any Class M Additional Amounts on the affected Class M Funding Tranches shall be payable on the first Distribution Date on or after the related Optional Amortization Date. On the Business Day prior to each Optional Amortization Date, Servicer shall instruct the Indenture Trustee in writing (which writing shall be substantially in the form of Exhibit B) to withdraw from the Collection Account and deposit into the Distribution Account, to the extent of the available funds held therein as Shared Principal Collections pursuant to Section 5.8, an amount sufficient to pay the Optional Amortization Amount on that Optional Amortization Date, and the Indenture Trustee, acting in accordance with such instructions, shall on such Business Day make such withdrawal and deposit.

(c) Refinanced Optional Amortization. On any Business Day in the Revolving Period or the Controlled Amortization Period, Transferor may, with the consent of each affected Series 2009-VFN Noteholder, cause Servicer to provide notice to the Indenture Trustee and all of the Series 2009-VFN Noteholders at least five Business Days prior to any Business Day (the “Refinancing Date”) stating its intention to cause the Series 2009-VFN Notes to be prepaid in full or in part on the Refinancing Date by causing the all or a portion of the Collateral Amount to be conveyed to one or more Persons (who may be the Noteholders of a new Series issued substantially contemporaneously with such prepayment) for a cash purchase price in an amount equal to the sum of (i) the Collateral Amount (or the portion thereof that is being conveyed), plus (ii) accrued and unpaid interest on the Collateral Amount (or the portion thereof that is being conveyed) through the Refinancing Date, plus (iii) any accrued and unpaid Class A Non-Use Fees, Class M Non-Use Fees, Class A Additional Amounts and Class M Additional Amounts in respect of the Collateral Amount (or portion thereof that is being conveyed) through the Refinancing Date. In the case of any such conveyance, the purchase price shall be deposited in the Collection Account and shall be distributed to the applicable Series 2009-VFN Noteholders on the Refinancing Date in accordance with the terms of this Indenture Supplement and the Indenture; provided that after giving effect to any such conveyance and application of the purchase price, (i) the Class M Principal Balance shall not be less than the Required Class M Principal Balance, and (ii) the Class B Principal Balance shall not be less than the Required Class B Principal Balance.

(d) **Class M Incremental Fundings.** From time to time during the Revolving Period, Transferor and Servicer may notify one or more Class M Noteholders that a Class M Incremental Funding will occur, subject to the conditions of the Class M Note Purchase Agreement, with respect to the related Class M Ownership Tranche(s) on the next or any subsequent Business Day by delivering a Notice of Class M Incremental Funding (as defined in the Class M Note Purchase Agreement) executed by Transferor and Servicer to the Administrative Agent for each such Class M Noteholder, specifying the amount of such Class M Incremental Funding and the Business Day upon which such Class M Incremental Funding is to occur. The amount of Class M Incremental Funding allocated to each Class M Ownership Group, together with the amount of the Class A Incremental Funding allocated to the Related Class A Ownership Group to be made on the same date, shall be a minimum amount of \$1,000,000 or a higher integral multiple thereof for each Class M Ownership Group and the Related Class A Ownership Group, except that a Class M Incremental Funding may be requested in the entire remaining Class M Purchase Limit of the related Class M Ownership Group. Upon any Class M Incremental Funding, the Class M Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein. For each Class M Incremental Funding, the Class M Principal Balance shall increase in amount equal to the Class Incremental Principal Balance. The increase in the Class M Principal Balance shall be allocated to the Class M Notes held by the Class M Noteholders from which purchase prices were received in connection with the Class M Incremental Funding in proportion to the amount of such purchase prices received.

(e) **Class B Incremental Fundings.** From time to time during the Revolving Period, Transferor and Servicer may, to the extent permitted by the applicable Class B Note Purchase Agreement, notify the Class B Noteholders that a Class B Incremental Funding will occur, subject to the conditions, if any, of the applicable Class B Note Purchase Agreements, on any Business Day by delivering a Notice of Class B Incremental Funding (as defined in the applicable Class B Note Purchase Agreement) executed by Transferor and Servicer to the Class B Interest Holder, specifying the amount of such Class B Incremental Funding and the Business Day upon which such Incremental Funding is to occur (which shall fall at least three Business Days after the date of such Notice). Upon any Class B Incremental Funding, the Class B Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein.

Section 4.2 Maximum Principal Balances. The initial Maximum Principal Balances of each Series 2009-VFN Note is as set forth on the related Series 2009-VFN Notes. The Maximum Principal Balance of each Series 2009-VFN Note may be reduced or increased from time to time as provided in the related Note Purchase Agreement. Increases and decreases in the overall Maximum Principal Balance are not required to be made ratably among the various Classes of Notes. Any decrease in the Maximum Principal Balance of any Series 2009-VFN Note shall be permanent, unless a subsequent increase in the Maximum Principal Balance is made in accordance with the related Note Purchase Agreement.

ARTICLE V.

Rights of Series 2009-VFN Noteholders and Allocation and Application of Collections

Section 5.1 Collections and Allocations

(a) Allocations. Finance Charge Collections, Principal Collections and Defaulted Receivables allocated to Series 2009-VFN pursuant to Article VIII of the Indenture shall be allocated and distributed as set forth in this Article.

(b) Allocations to the Series 2009-VFN Noteholders. The Servicer shall on the Date of Processing, allocate to the Series 2009-VFN Noteholders the following amounts as set forth below:

(i) Allocations of Finance Charge Collections. The Servicer shall allocate to the Series 2009-VFN Noteholders an amount equal to the product of (A) the Allocation Percentage and (B) the aggregate Finance Charge Collections processed on such Date of Processing and shall deposit such amount into the Finance Charge Account, provided that, with respect to each Monthly Period falling in the Revolving Period (and with respect to that portion of each Monthly Period in the Controlled Amortization Period falling on or after the day on which Collections of Principal Receivables equal to the related Controlled Amortization Amount have been allocated pursuant to clause 5.1(b)(ii)), so long as the Available Cash Collateral Amount is not less than the Required Cash Collateral Amount on such Date of Processing, Collections of Finance Charge Receivables shall be transferred into the Finance Charge Account only until such time as the aggregate amount so deposited equals the product of (x) 1.5 and (y) the sum (the "Target Amount") of (A) the Monthly Interest for the related Distribution Date, (B) the Class A Non-Use Fee, the Class M Non-Use Fee, the Class A Rated Additional Amounts and Class M Rated Additional Amounts, if any, (C) if WFN is not the Servicer, the Noteholder Servicing Fee (and if WFN is the Servicer, then amounts that otherwise would have been transferred into the Finance Charge Account pursuant to this clause (C)) shall instead be returned to WFN as payment of the Noteholder Servicing Fee), (D) any amount required to be deposited in the Spread Account and the Cash Collateral Account on the related Transfer Date and (E) the sum of the Investor Default Amounts for the prior Monthly Period and any Investor Uncovered Dilution Amount for the prior Monthly Period; provided further, that, notwithstanding the preceding proviso, if on any Business Day the Servicer determines that the Target Amount for a Monthly Period exceeds the Target Amount for that Monthly Period as previously calculated by Servicer, then (x) Servicer shall (on the same Business Day) inform Transferor of such determination, and (y) within two Business Days of receiving such notice Transferor shall deposit into the Finance Charge Account funds in an amount equal to the amount of Collections of Finance Charge Receivables allocated to the Noteholders for that Monthly Period but not deposited into the Finance Charge Account due to the operation of the preceding proviso (but not in excess of the amount required so that the aggregate amount deposited for the subject Monthly Period equals the Target Amount); and provided, further, if on any Transfer Date the Transferor Amount is less than the Specified Transferor Amount after giving effect to all transfers and deposits on that Transfer Date, Transferor shall, on that Transfer Date, deposit into the Principal Account funds in an amount equal to the amounts of Available Finance Charge Collections that are required to be treated as Available Principal Collections pursuant to clause 5.4(a)(ix) and (x) but are not available from funds in the Finance Charge Account as a result of the operation of second preceding proviso.

With respect to any Monthly Period when deposits of Collections of Finance Charge Receivables into the Finance Charge Account are limited to deposits up to 1.5 times the Target Amount in accordance with clause (i) above, notwithstanding such limitation: (1) “Reallocated Principal Collections” for the related Transfer Date shall be calculated as if the full amount of Finance Charge Collections allocated to the Noteholders during that Monthly Period had been deposited in the Finance Charge Account and applied on such Transfer Date in accordance with subsection 5.4(a); and (2) Collections of Finance Charge Receivables released to Transferor pursuant to such Section 5.1(b)(i) shall be deemed, for purposes of all calculations under this Indenture Supplement, to have been retained in the Finance Charge Account and applied to the items specified in subsections 5.4(a) to which such amounts would have been applied (and in the priority in which they would have been applied) had such amounts been available in the Finance Charge Account on such Transfer Date. To avoid doubt, the calculations referred to in the preceding clause (2) include the calculations required by clause (b) of the definition of Collateral Amount and by the definition of Portfolio Yield.

(ii) Allocations of Principal Collections. The Servicer shall allocate to the Series 2009-VFN Noteholders the following amounts as set forth below:

(x) Allocations During the Revolving Period.

(1) During the Revolving Period an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing, shall be allocated to the Series 2009-VFN Noteholders and first, if an Optional Amortization Notice has been given or any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Optional Amortization and as Shared Principal Collections for other Principal Sharing Series on the related Distribution Date, second deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Specified Transferor Amount and third paid to the holders of the Transferor Interest.

(2) With respect to each Monthly Period falling in the Revolving Period, to the extent that Collections of Principal Receivables allocated to the Series 2009-VFN Noteholders pursuant to this clause 5.1(b)(ii) are paid to Transferor, Transferor shall make an amount equal to the Reallocated Principal Collections for the related Transfer Date available on that Transfer Date for application in accordance with Section 5.6.

(y) Allocations During the Controlled Amortization Period. During the Controlled Amortization Period an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing (the product for any such date is hereinafter referred to as a “Percentage Allocation”) shall be allocated to the Series 2009-VFN Noteholders and transferred to the Principal Account until applied as provided herein; provided, however, that if the sum of such Percentage Allocation and all preceding Percentage Allocations with respect to the same Monthly Period exceeds the Controlled Payment Amount during the Controlled Amortization Period for the related Distribution Date, then such excess shall not be treated as a Percentage Allocation and shall be first, if any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Shared Principal Collections to other Principal Sharing Series on the related Distribution Date, second deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Specified Transferor Amount and third paid to the holders of the Transferor Interest.

(z) Allocations During the Early Amortization Period. During the Early Amortization Period, an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing shall be allocated to the 2009-VFN Noteholders and transferred to the Principal Account until applied as provided herein; provided, however, that after the date on which an amount of such Principal Collections equal to the Note Principal Balance has been deposited into the Principal Account such amount shall be first, if any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Shared Principal Collections to other Principal Sharing Series on the related Distribution Date, second deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Specified Transferor Amount and third paid to the holders of the Transferor Interest.

(c) During any period when Servicer is permitted by Section 4.3 of the Pooling and Servicing Agreement or Section 8.4 of the Indenture to make a single monthly deposit to the Collection Account, amounts allocated to the Noteholders pursuant to Sections 5.1(a) and (b) with respect to any Monthly Period need not be deposited into the Collection Account or any Series Account prior to the related Transfer Date, and, when so deposited, (x) may be deposited net of any amounts required to be distributed to Transferor and, if WFN is Servicer, Servicer, and (y) shall be deposited into the Finance Charge Account (in the case of Collections of Finance Charge Receivables) and the Principal Account (in the case of Collections of Principal Receivables (not including any Shared Principal Collections allocated to Series 2009-VFN pursuant to Section 4.15 of the Pooling and Servicing Agreement or Section 8.5 of the Indenture)).

(d) On any date, Servicer may withdraw from the Collection Account or any Series Account any amounts inadvertently deposited in such account that should have not been so deposited.

Section 5.2 Determination of Monthly Interest.

(a) Pursuant to the Class A Note Purchase Agreement, certain Class A Ownership Tranches may from time to time be divided into one or more subdivisions (each, as further specified in the Class A Note Purchase Agreement, a “Class A Funding Tranche”) which will accrue interest on different bases. For Class A Funding Tranches that accrue interest by reference to a commercial paper rate or LIBOR, a specified period (each, a “Class A Fixed Period”) will be designated in the Class A Note Purchase Agreement during which that Class A Funding Tranche may accrue interest at a fixed rate. The amount of monthly interest (“Class A Monthly Interest”) distributable from the Distribution Account with respect to the Class A Notes on any Distribution Date shall be an amount equal to the aggregate amount of interest that accrued over that Distribution Period on each Class A Funding Tranche (plus the aggregate amount of interest that accrued over any prior Distribution Period on any Class A Funding Tranche and has not yet been paid, plus additional interest (to the extent permitted by law) on such overdue amounts at the weighted average interest rate applicable to the related Class A Ownership Tranche during that Distribution Period, and minus any overpayment of interest on the prior Distribution Date as a result of the estimation referred to below), all as determined by Servicer on the related Determination Date. For purposes of such determination, Servicer shall rely upon information provided by the various Administrative Agents pursuant to the Class A Note Purchase Agreement including estimates of the interest to accrue on any Class A Funding Tranche through the related Distribution Date. The interest accrued on any Class A Ownership Tranche (or related Class A Funding Tranche) for any Distribution Period shall be determined using the applicable Class A Tranche Rate and shall equal the product of (x) the Weighted Average Class A Principal Balance for that Class A Ownership Tranche (or Class A Funding Tranche), (y) the applicable Class A Tranche Rate and (z) the applicable Day Count Fraction.

(b) Pursuant to the Class M Note Purchase Agreement, certain Class M Ownership Tranches may from time to time be divided into one or more subdivisions (each, as further specified in the Class M Note Purchase Agreement, a “Class M Funding Tranche”) which will accrue interest on different bases. For Class M Funding Tranches that accrue interest by reference to a commercial paper rate or LIBOR, a specified period (each, a “Class M Fixed Period”) will be designated in the Class M Note Purchase Agreement during which that Class M Funding Tranche may accrue interest at a fixed rate. The amount of monthly interest (“Class M Monthly Interest”) distributable from the Distribution Account with respect to the Class M Notes on any Distribution Date shall be an amount equal to the aggregate amount of interest that accrued over that Distribution Period on each Class M Funding Tranche (plus the aggregate amount of interest that accrued over any prior Distribution Period on any Class M Funding Tranche and has not yet been paid, plus additional interest (to the extent permitted by law) on such overdue amounts at the weighted average interest rate applicable to the related Class M Ownership Tranche during that Distribution Period, and minus any overpayment of interest on the prior Distribution Date as a result of the estimation referred to below), all as determined by Servicer on the related Determination Date. For purposes of such determination, Servicer shall rely upon information provided by the various Administrative Agents pursuant to the Class M Note Purchase Agreement including estimates of the interest to accrue on any Class M Funding Tranche through the related Distribution Date. The interest accrued on any Class M Ownership Tranche (or related Class M Funding Tranche) for any Distribution Period shall be determined using the applicable Class M Tranche Rate and shall equal the product of (x) the Weighted Average Class M Principal Balance for that Class M Ownership Tranche (or Class M Funding Tranche), (y) the applicable Class M Tranche Rate and (z) the applicable Day Count Fraction.

(c) The amount of monthly interest (“Class B Monthly Interest”) distributable from the Distribution Account with respect to the Class B Notes on any Distribution Date shall be an amount equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class B Note Interest Rate in effect with respect to the related Distribution Period and (ii) the average Class B Principal Balance outstanding during the preceding Monthly Period.

On the Determination Date preceding each Distribution Date, the Servicer shall determine the excess, if any (the “Class B Deficiency Amount”), of (x) the aggregate amount accrued pursuant to this subsection 5.2(c) as of the prior Distribution Date over (y) the amount of funds actually transferred from the Distribution Account for payment of such amount. If the Class B Deficiency Amount for any Distribution Date is greater than zero, on each subsequent Distribution Date until such Class B Deficiency Amount is fully paid, an additional amount (“Class B Additional Interest”) equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class B Note Interest Rate in effect with respect to the related Distribution Period and (ii) such Class B Deficiency Amount (or the portion thereof which has not been paid to the Class B Noteholders) shall be payable as provided herein with respect to the Class B Notes. Notwithstanding anything to the contrary herein, Class B Additional Interest shall be payable or distributed to the Class B Noteholders only to the extent permitted by applicable law.

(d) In addition to Class A Monthly Interest, each Class A Noteholder (i) shall receive a monthly commitment fee (a “Class A Non-Use Fee”) with respect to each Distribution Period (or portion thereof) falling in the Revolving Period accruing at the Class A Non-Use Fee Rate based on its portion of the excess of the average Class A Maximum Principal Balance over the average Class A Principal Balance for such period and (ii) shall be entitled to receive certain other amounts identified as Class A Additional Amounts (such amounts, including Class A Breakage Payments, being “Class A Additional Amounts”) in the Class A Note Purchase Agreement. The Class A Non-Use Fee shall accrue based upon the number of days in the related Distribution Period (or the portion thereof falling in the Revolving Period) and a year of 365 or 366 days, as applicable. Class A Additional Amounts payable on any Distribution Date shall, so long as they equal less than 0.50% of the Weighted Average Collateral Amount over the related Distribution Period, constitute “Class A Rated Additional Amounts.” Any Class A Additional Amounts payable on any Distribution Date in excess of the foregoing limitation shall constitute “Class A Unrated Additional Amounts.”

(e) If any distribution of principal is made with respect to any Class A Funding Tranche with a Fixed Period and a fixed interest rate other than on the last day of that Fixed Period, or if the Class A Funded Amount of any Class A Ownership Tranche is reduced by an Optional Amortization Amount in an amount greater than the amount (if any) specified in the Class A Note Purchase Agreement with respect to that Class A Ownership Tranche without the applicable number (as specified in the Class A Note Purchase Agreement) of Business Days' prior notice to the affected Holder, and in either case (i) the interest paid by the Class A Holder holding that Class A Funding Tranche to providers of funds to it to fund that Class A Funding Tranche exceeds (ii) returns earned by that Class A Holder through the last day of that Fixed Period by redeployment of such funds in highly rated short-term money market instruments, then, upon written notice (which notice shall be signed by an officer of that Class A Holder with knowledge of and responsibility for such matters and shall set forth in reasonable detail the basis for requesting the amounts) from such Class A Holder to Servicer, such Class A Holder shall be entitled to receive additional amounts in the amount of such excess (each, a "Class A Breakage Payment") on the Distribution Date on or after the date such distribution of principal is made with respect to that Funding Tranche, so long as such written notice is received not later than noon, New York City time, on the Transfer Date related to such Distribution Date. For purposes of calculations under this paragraph, any payment received by a Class A Holder later than noon, New York City time, on any day shall be deemed to have been received on the next day.

(f) In addition to Class M Monthly Interest, each Class M Noteholder (i) shall receive a monthly commitment fee (a "Class M Non-Use Fee") with respect to each Distribution Period (or portion thereof) falling in the Revolving Period accruing at the Class M Non-Use Fee Rate based on its portion of the excess of the average Class M Maximum Principal Balance over the average Class M Principal Balance for such period and (ii) shall be entitled to receive certain other amounts identified as Class M Additional Amounts (such amounts, including Class M Breakage Payments, being "Class M Additional Amounts") in the Class M Note Purchase Agreement. The Class M Non-Use Fee shall accrue based upon the number of days in the related Distribution Period (or the portion thereof falling in the Revolving Period) and a year of 365 or 366 days, as applicable. Class M Additional Amounts payable on any Distribution Date shall, so long as they equal less than 0.50% of the Weighted Average Collateral Amount over the related Distribution Period, constitute "Class M Rated Additional Amounts." Any Class M Additional Amounts payable on any Distribution Date in excess of the foregoing limitation shall constitute "Class M Unrated Additional Amounts."

(g) If any distribution of principal is made with respect to any Class M Funding Tranche with a Fixed Period and a fixed interest rate other than on the last day of that Fixed Period, or if the Class M Funded Amount of any Class M Ownership Tranche is reduced by an Optional Amortization Amount in an amount greater than the amount (if any) specified in the Class M Note Purchase Agreement with respect to that Class M Ownership Tranche without the applicable number (as specified in the Class M Note Purchase Agreement) of Business Days' prior notice to the affected Holder, and in either case (i) the interest paid by the Class M Holder holding that Class M Funding Tranche to providers of funds to it to fund that Class M Funding Tranche exceeds (ii) returns earned by that Class M Holder through the last day of that Fixed Period by redeployment of such funds in highly rated short-term money market instruments, then, upon written notice (which notice shall be signed by an officer of that Class M Holder with knowledge of and responsibility for such matters and shall set forth in reasonable detail the basis for requesting the amounts) from such Class M Holder to Servicer, such Class M Holder shall be entitled to receive additional amounts in the amount of such excess (each, a "Class M Breakage Payment") on the Distribution Date on or after the date such distribution of principal is made with respect to that Funding Tranche, so long as such written notice is received not later than noon, New York City time, on the Transfer Date related to such Distribution Date. For purposes of calculations under this paragraph, any payment received by a Class M Holder later than noon, New York City time, on any day shall be deemed to have been received on the next day.

Section 5.3 Determination of Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal.

(a) The amount of monthly principal (the "Class A Monthly Principal") to be transferred from the Principal Account with respect to the Class A Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class A Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class A Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6), and (z) the Class A Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6), and (z) the Class A Principal Balance.

(b) The amount of monthly principal (the "Class M Monthly Principal") to be transferred from the Principal Account with respect to the Class M Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class M Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class M Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal), and (z) the Class M Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, over the portion of such Available Principal Collections applied to Class A Monthly Principal on such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal), and (z) the Class M Principal Balance.

(c) The amount of monthly principal (the “Class B Monthly Principal”) to be transferred from the Principal Account with respect to the Class B Notes (i) on each Transfer Date beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class B Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class B Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal and Class M Monthly Principal), and (z) the Class B Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, over the portion of such Available Principal Collections applied to Class A Monthly Principal and Class M Monthly Principal on such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of the Class A Monthly Principal and Class M Monthly Principal), and (z) the Class B Principal Balance.

Section 5.4 Application of Available Finance Charge Collections and Available Principal Collections. On or before each Transfer Date, the Servicer shall instruct the Indenture Trustee in writing (which writing shall be substantially in the form of Exhibit B) to withdraw and the Indenture Trustee, acting in accordance with such instructions, shall withdraw on such Transfer Date or related Distribution Date, as applicable, to the extent of available funds, the amount required to be withdrawn from the Finance Charge Account, the Principal Account, the Principal Funding Account and the Distribution Account as follows:

(a) On each Transfer Date, an amount equal to the Available Finance Charge Collections with respect to the related Distribution Date will be distributed or deposited in the following priority:

(i) an amount equal to the unpaid Class A Monthly Interest for such Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class A Noteholders in accordance with Section 6.2;

(ii) an amount equal to the unpaid Class A Non-Use Fee, if any, not paid by the Transferor pursuant to the Class A Note Purchase Agreement for the related Distribution Period plus any Class A Non-Use Fee due but not paid to the Class A Noteholders on any prior Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class A Noteholders in accordance with Section 6.2;

(iii) an amount equal to the Class A Rated Additional Amounts, if any, for the related Distribution Period plus any Class A Rated Additional Amounts due but not paid to the Class A Noteholders on any prior Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class A Noteholders in accordance with Section 6.2;

(iv) an amount equal to the Noteholder Servicing Fee for such Transfer Date, plus the amount of any Noteholder Servicing Fee previously due but not distributed to the Servicer on a prior Transfer Date, shall be distributed to the Servicer;

(v) an amount equal to the unpaid Class M Monthly Interest for such Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account for distribution to the Class M Noteholders in accordance with Section 6.2;

(vi) an amount equal to the unpaid Class M Non-Use Fee, if any, not paid by the Transferor pursuant to the Class M Note Purchase Agreement for the related Distribution Period plus any Class M Non-Use Fee due but not paid to the Class M Noteholders on any prior Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class M Noteholders in accordance with Section 6.2;

(vii) an amount equal to the Class M Rated Additional Amounts, if any, for the related Distribution Period plus any Class M Rated Additional Amounts due but not paid to the Class M Noteholders on any prior Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class M Noteholders in accordance with Section 6.2;

(viii) an amount equal to Class B Monthly Interest for such Distribution Date, plus any Class B Deficiency Amount, plus the amount of any Class B Additional Interest for such Distribution Date, plus the amount of any Class B Additional Interest previously due but not distributed to Class B Noteholders on a prior Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account;

(ix) an amount equal to the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for such Distribution Date shall be treated as a portion of Available Principal Collections for such Distribution Date and, during the Controlled Amortization Period or the Early Amortization Period, deposited into the Principal Account on the related Transfer Date;

(x) an amount equal to the sum of the aggregate amount of Investor Charge-Offs and the amount of Reallocated Principal Collections which have not been previously reimbursed pursuant to this clause (x) shall be treated as a portion of Available Principal Collections for such Distribution Date;

(xi) an amount equal to the excess, if any, of the Required Cash Collateral Amount over the Available Cash Collateral Amount shall be deposited into the Cash Collateral Account;

(xii) an amount equal to the amounts required to be deposited in the Spread Account pursuant to subsection 5.11(f) shall be deposited into the Spread Account as provided in subsection 5.11(f);

(xiii) an amount equal to the aggregate Class A Unrated Additional Amounts will be paid to the Class A Noteholders; and, in the event of any shortfall in the amount of Available Finance Charge Collections available for distribution in respect of Class A Unrated Additional Amounts, (x) the Available Finance Charge Collections shall be allocated ratably to each Class A Ownership Tranche in accordance with its Class A Principal Balance and (y) any Available Finance Charge Collections allocated pursuant to clause (x) to any Class A Ownership Tranche in excess of its Class A Unrated Additional Amounts shall be reallocated to each Class A Ownership Tranche that has a remaining shortfall in the Available Finance Charge Collections allocated to it pursuant to clause (xii) in order to cover its Class A Unrated Additional Amounts, which reallocation shall be made ratably in accordance with the portion of the Principal Balances of all remaining Class A Ownership Tranches represented by the Principal Balance of such remaining Class A Ownership Tranche;

(xiv) an amount equal to the aggregate Class M Unrated Additional Amounts will be paid to the Class M Noteholders; and, in the event of any shortfall in the amount of Available Finance Charge Collections available for distribution in respect of Class M Unrated Additional Amounts, (x) the Available Finance Charge Collections shall be allocated ratably to each Class M Ownership Tranche in accordance with its Class M Principal Balance and (y) any Available Finance Charge Collections allocated pursuant to clause (x) to any Class M Ownership Tranche in excess of its Class M Unrated Additional Amounts shall be reallocated to each Class M Ownership Tranche that has a remaining shortfall in the Available Finance Charge Collections allocated to it pursuant to clause (xii) in order to cover its Class M Unrated Additional Amounts, which reallocation shall be made ratably in accordance with the portion of the Principal Balances of all remaining Class M Ownership Tranches represented by the Principal Balance of such remaining Class M Ownership Tranche;

(xv) an amount equal to any payments owed to any Class B Noteholders or any other Person pursuant to any Class B Note Purchase Agreement shall be paid to such Class B Noteholder or other person; and

(xvi) the balance, if any, will constitute a portion of Excess Finance Charge Collections for such Distribution Date.

(b) During the Revolving Period, an amount equal to the Available Principal Collections for the related Monthly Period will be treated as Shared Principal Collections and applied in accordance with Section 8.5 of the Indenture.

(c) On each Transfer Date with respect to the Controlled Amortization Period or the Early Amortization Period, an amount equal to the Available Principal Collections for the related Monthly Period shall be distributed or deposited in the following order of priority:

(i) an amount equal to the Class A Monthly Principal for such Transfer Date shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class A Noteholders on the related Distribution Date until the Class A Principal Balance has been paid in full;

(ii) an amount equal to the Class M Monthly Principal, if any, shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class M Noteholders on the related Distribution Date until the Class M Principal Balance has been paid in full;

(iii) an amount equal to the Class B Monthly Principal, if any, shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class B Noteholders on the related Distribution Date until the Class B Principal Balance has been paid in full; and

(iv) the balance shall be treated as Shared Principal Collections and applied in accordance with Section 8.5 of the Indenture.

(d) On each Distribution Date, the Indenture Trustee shall pay in accordance with Section 6.2 to the Class A Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(i) through (iii) and (xiii) on the preceding Transfer Date, to the Class M Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(v) through (vii) and (xiv) and to the Class B Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(viii) and (xv).

Section 5.5 Investor Charge-Offs. On each Determination Date, the Servicer shall calculate the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for the related Distribution Date. If, on any Distribution Date, the sum of the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for such Distribution Date exceeds the sum of the amount of Available Finance Charge Collections and the amount withdrawn from the Cash Collateral Account allocated with respect thereto pursuant to 5.10(c) with respect to such Distribution Date, the Collateral Amount will be reduced (but not below zero) by the amount of such excess (such reduction, an “Investor Charge-Off”).

Section 5.6 Reallocated Principal Collections. On each Transfer Date, the Servicer shall apply, or shall instruct the Indenture Trustee in writing to apply, Reallocated Principal Collections with respect to that Transfer Date, to fund any deficiency pursuant to and in the priority set forth in clauses 5.4(a)(i) through (vii) after giving effect to any withdrawal from the Cash Collateral Account or the Spread Account to cover such payments. On each Transfer Date, the Collateral Amount shall be reduced by the amount of Reallocated Principal Collections for such Transfer Date.

Section 5.7 Excess Finance Charge Collections. Series 2009-VFN shall be an Excess Allocation Series with respect to Group One only. For this purpose, each outstanding series of certificates issued by World Financial Network Master Trust (other than series represented by the Collateral Certificate) shall be deemed to be a Series in Group One. Subject to Section 8.6 of the Indenture, Excess Finance Charge Collections with respect to the Excess Allocation Series in Group One for any Transfer Date will be allocated to Series 2009-VFN in an amount equal to the product of (x) the aggregate amount of Excess Finance Charge Collections with respect to all the Excess Allocation Series in Group One for such Distribution Date and (y) a fraction, the numerator of which is the Finance Charge Shortfall for Series 2009-VFN for such Distribution Date and the denominator of which is the aggregate amount of Finance Charge Shortfalls for all the Excess Allocation Series in Group One for such Distribution Date. The "Finance Charge Shortfall" for Series 2009-VFN for any Distribution Date will be equal to the excess, if any, of (a) the full amount required to be paid, without duplication, pursuant to clauses 5.4(a)(i) through (x) on such Distribution Date over (b) the Available Finance Charge Collections with respect to such Distribution Date (excluding any portion thereof attributable to Excess Finance Charge Collections).

Section 5.8 Shared Principal Collections. Subject to Section 4.4 of the Pooling and Servicing Agreement and Section 8.5 of the Indenture, Shared Principal Collections allocable to Series 2009-VFN on any Transfer Date will be equal to the product of (x) the aggregate amount of Shared Principal Collections with respect to all Principal Sharing Series for such Transfer Date and (y) a fraction, the numerator of which is the Principal Shortfall for Series 2009-VFN for such Transfer Date and the denominator of which is the aggregate amount of Principal Shortfalls for all the Series which are Principal Sharing Series for such Transfer Date. For this purpose, each outstanding series of certificates issued by World Financial Network Master Trust (other than series represented by the Collateral Certificate) shall be deemed to be a Principal Sharing Series. The "Principal Shortfall" for Series 2009-VFN for any Transfer Date shall equal, the excess, if any, of the sum of any Optional Amortization Amounts, Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal with respect to such Transfer Date over the amount of Available Principal Collections for such Transfer Date (excluding any portion thereof attributable to Shared Principal Collections).

Section 5.9 Certain Series Accounts.

(a) The Indenture Trustee shall establish and maintain with an Eligible Institution, which may be the Indenture Trustee in the name of the Trust, on behalf of the Trust, for the benefit of the Noteholders, three segregated trust accounts with such Eligible Institution (the "Finance Charge Account", the "Principal Account" and the "Distribution Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2009-VFN Noteholders. The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Finance Charge Account, the Principal Account and the Distribution Account and in all proceeds thereof. The Finance Charge Account, the Principal Account and the Distribution Account shall be under the sole dominion and control of the Indenture Trustee for the benefit of the Series 2009-VFN Noteholders. If at any time the institution holding the Finance Charge Account, the Principal Account and the Distribution Account ceases to be an Eligible Institution, the Transferor shall notify the Indenture Trustee in writing, and the Indenture Trustee upon being notified (or the Servicer on its behalf) shall, within ten (10) Business Days, establish a new Finance Charge Account, a new Principal Account, a new Principal Accumulation Account and a new Distribution Account meeting the conditions specified above with an Eligible Institution, and shall transfer any cash or any investments to such new Finance Charge Account, new Principal Account, new Principal Accumulation Account and new Distribution Account. The Indenture Trustee, at the written direction of the Servicer, shall make withdrawals from the Finance Charge Account, the Principal Account and the Distribution Account from time to time, in the amounts and for the purposes set forth in this Indenture Supplement. Indenture Trustee at all times shall maintain accurate records reflecting each transaction in the Finance Charge Account, the Principal Account and the Distribution Account.

(b) Funds on deposit in the Finance Charge Account, the Principal Account and the Distribution Account, from time to time shall be invested and reinvested at the direction of the Servicer by the Indenture Trustee in Eligible Investments that will mature so that such funds will be available for withdrawal on or prior to the following Transfer Date.

The Indenture Trustee shall hold such of the Eligible Investments as consists of instruments, deposit accounts, negotiable documents, money, goods, letters of credit, and advices of credit in the State of New York and/or Illinois. The Indenture Trustee shall hold such of the Eligible Investments as constitutes investment property through a securities intermediary, which securities intermediary shall agree with the Indenture Trustee that (a) such investment property shall at all times be credited to a securities account of the Indenture Trustee, (b) such securities intermediary shall treat the Indenture Trustee as entitled to exercise the rights that comprise each financial asset credited to such securities account, (c) all property credited to such securities account shall be treated as a financial asset, (d) such securities intermediary shall comply with entitlement orders originated by the Indenture Trustee without the further consent of any other person or entity, (e) such securities intermediary will not agree with any person or entity other than the Indenture Trustee to comply with entitlement orders originated by such other person or entity, (f) such securities accounts and the property credited thereto shall not be subject to any lien, security interest or right of set-off in favor of such securities intermediary or anyone claiming through it (other than the Indenture Trustee), and (g) such agreement shall be governed by the laws of the State of New York. Terms used in the preceding sentence that are defined in the New York UCC and not otherwise defined herein shall have the meaning set forth in the New York UCC.

Section 5.10 Cash Collateral Account.

(a) The Indenture Trustee shall establish and maintain with an Eligible Institution, which may be the Indenture Trustee in the name of the Trust, on behalf of the Trust, for the benefit of the Series 2009-VFN Noteholders, a segregated trust account (the "Cash Collateral Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2009-VFN Noteholders. The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Cash Collateral Account and in all proceeds thereof. The Cash Collateral Account shall be under the sole dominion and control of the Indenture Trustee for the benefit of the Series 2009-VFN Noteholders. If at any time the institution holding the Cash Collateral Account ceases to be an Eligible Institution, the Transferor shall notify the Indenture Trustee, and the Indenture Trustee upon being notified (or the Servicer on its behalf) shall, within ten (10) Business Days, establish a new Cash Collateral Account meeting the conditions specified above with an Eligible Institution, and shall transfer any cash or any investments to such new Cash Collateral Account.

(b) Funds on deposit in the Cash Collateral Account shall be invested at the written direction of the Servicer by the Indenture Trustee in Eligible Investments. Funds on deposit in the Cash Collateral Account on any Transfer Date, after giving effect to any withdrawals from the Cash Collateral Account on such Transfer Date, shall be invested in such investments that will mature so that such funds will be available for withdrawal on or prior to the following Transfer Date.

The Indenture Trustee shall hold such of the Eligible Investments as consists of instruments, deposit accounts, negotiable documents, money, goods, letters of credit, and advices of credit in the State of New York. The Indenture Trustee shall hold such of the Eligible Investments as constitutes investment property through a securities intermediary, which securities intermediary shall agree with the Indenture Trustee that (a) such investment property shall at all times be credited to a securities account of the Indenture Trustee, (b) such securities intermediary shall treat the Indenture Trustee as entitled to exercise the rights that comprise each financial asset credited to such securities account, (c) all property credited to such securities account shall be treated as a financial asset, (d) such securities intermediary shall comply with entitlement orders originated by the Indenture Trustee without the further consent of any other person or entity, (e) such securities intermediary will not agree with any person or entity other than the Indenture Trustee to comply with entitlement orders originated by such other person or entity, (f) such securities accounts and the property credited thereto shall not be subject to any lien, security interest, or right of set-off in favor of such securities intermediary or anyone claiming through it (other than the Indenture Trustee), and (g) such agreement shall be governed by the laws of the State of New York. Terms used in the preceding sentence that are defined in the New York UCC and not otherwise defined herein shall have the meaning set forth in the New York UCC.

On each Transfer Date, all interest and earnings (net of losses and investment expenses) accrued since the preceding Transfer Date on funds on deposit in the Cash Collateral Account shall be retained in the Cash Collateral Account (to the extent that the Available Cash Collateral Account Amount is less than the Required Cash Collateral Account Amount) and the balance, if any, shall be deposited into the Finance Charge Account and included in Available Finance Charge Collections for such Transfer Date. For purposes of determining the availability of funds or the balance in the Cash Collateral Account for any reason under this Indenture Supplement, except as otherwise provided in the preceding sentence, interest and earnings on such funds shall be deemed not to be available or on deposit.

(c) On each Determination Date, Servicer shall calculate the amount (the “Required Draw Amount”) by which the sum of the amounts required to be distributed pursuant to clauses 5.4(a)(i) through (ix) with respect to the related Transfer Date exceeds the amount of Available Finance Charge Collections with respect to the related Monthly Period. If the Required Draw Amount for any Transfer Date is greater than zero, Servicer shall give written notice to the Indenture Trustee of such positive Required Draw Amount on the related Determination Date. On the related Transfer Date, the Required Draw Amount, if any, up to the Available Cash Collateral Amount, shall be withdrawn from the Cash Collateral Account and distributed to fund any deficiency pursuant to clauses 5.4(a)(i) through (ix) (in the order of priority set forth in subsection 5.4(a)).

(d) On the Amendment Date, the Indenture Trustee shall withdraw an amount equal to \$1,676,959 from the Cash Collateral Account and shall distribute such amount to the Transferor in accordance with written direction of the Servicer. If, after giving effect to all deposits to and withdrawals from the Cash Collateral Account with respect to any Transfer Date, the amount on deposit in the Cash Collateral Account exceeds the Required Cash Collateral Amount, the Indenture Trustee acting in accordance with the instructions of the Servicer, shall withdraw an amount equal to such excess from the Cash Collateral Account and (i) deposit such amounts in the Spread Account, to the extent that funds on deposit in the Spread Account are less than the Required Spread Account Amount and (ii) distribute such amounts remaining after application pursuant to subsection 5.10(d) to the Transferor.

Section 5.11 Spread Account.

(a) On or prior to the Closing Date, the Indenture Trustee shall establish and maintain with an Eligible Institution, which may be the Indenture Trustee in the name of the Trust, on behalf of the Trust, for the benefit of the Class B Noteholders and the Transferor, a segregated account (the "Spread Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Class B Noteholders and the Transferor. Except as otherwise provided in this Section 5.11, the Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Spread Account and in all proceeds thereof. The Spread Account shall be under the sole dominion and control of the Indenture Trustee for the benefit of the Class B Noteholders and the holder of the Transferor Interest. If at any time the institution holding the Spread Account ceases to be an Eligible Institution, the Servicer shall notify the Indenture Trustee in writing, and the Indenture Trustee upon being notified (or the Servicer on its behalf) shall, within ten (10) Business Days (or such longer period as to which the Rating Agencies may consent) establish a new Spread Account meeting the conditions specified above with an Eligible Institution and shall transfer any cash or any investments to such new Spread Account. The Indenture Trustee, at the written direction of the Servicer, shall (i) make withdrawals from the Spread Account from time to time in an amount up to the Available Spread Account Amount at such time, for the purposes set forth in this Indenture Supplement, and (ii) on each Transfer Date prior to termination of the Spread Account, make a deposit into the Spread Account in the amount specified in, and otherwise in accordance with, subsection 5.11(e).

(b) Funds on deposit in the Spread Account shall be invested at the written direction of the Servicer by the Indenture Trustee in Eligible Investments. Funds on deposit in the Spread Account on any Transfer Date, after giving effect to any withdrawals from and deposits to the Spread Account on such Transfer Date, shall be invested in such investments that will mature so that such funds will be available for withdrawal on or prior to the following Transfer Date.

The Indenture Trustee shall hold such of the Eligible Investments as consists of instruments, deposit accounts, negotiable documents, money, goods, letters of credit, and advices of credit in the State of New York. The Indenture Trustee shall hold such of the Eligible Investments as constitutes investment property through a securities intermediary, which securities intermediary shall agree with the Indenture Trustee that (a) such investment property shall at all times be credited to a securities account of the Indenture Trustee, (b) such securities intermediary shall treat the Indenture Trustee as entitled to exercise the rights that comprise each financial asset credited to such securities account, (c) all property credited to such securities account shall be treated as a financial asset, (d) such securities intermediary shall comply with entitlement orders originated by the Indenture Trustee without the further consent of any other person or entity, (e) such securities intermediary will not agree with any person or entity other than the Indenture Trustee to comply with entitlement orders originated by such other person or entity, (f) such securities accounts and the property credited thereto shall not be subject to any lien, security interest, or right of set-off in favor of such securities intermediary or anyone claiming through it (other than the Indenture Trustee), and (g) such agreement shall be governed by the laws of the State of New York. Terms used in the preceding sentence that are defined in the New York UCC and not otherwise defined herein shall have the meaning set forth in the New York UCC. Except as permitted by this subsection 5.11(b), the Indenture Trustee shall not hold Eligible Investments through an agent or a nominee.

On each Transfer Date (but subject to subsection 5.11(c)), the Investment Earnings, if any, accrued since the preceding Transfer Date on funds on deposit in the Spread Account shall be paid to the holders of the Transferor Interest by the Indenture Trustee upon written direction of the Servicer. For purposes of determining the availability of funds or the balance in the Spread Account for any reason under this Indenture Supplement (subject to subsection 5.11(c)), all Investment Earnings shall be deemed not to be available or on deposit; provided that after the maturity of the Series 2009-VFN Notes has been accelerated as a result of an Event of Default, all Investment Earnings shall be added to the balance on deposit in the Spread Account and treated like the rest of the Available Spread Account Amount.

(c) If, on any Transfer Date, the aggregate amount of Available Finance Charge Collections and the amount, if any, withdrawn from the Cash Collateral Account available for deposit into the Distribution Account pursuant to subsection 5.10(c), is less than the aggregate amount required to be deposited pursuant to clause 5.4(a)(xii), the Indenture Trustee, at the written direction of the Servicer, shall withdraw from the Spread Account the amount of such deficiency up to the Available Spread Account Amount and, if the Available Spread Account Amount is less than such deficiency, Investment Earnings credited to the Spread Account, and deposit such amount in the Distribution Account for payment to the Class B Noteholders in respect of interest on the Class B Notes.

(d) On the earlier of Series Termination Date and the date on which the Note Principal Balance has been paid in full, after applying any funds on deposit in the Spread Account as described in subsection 5.11(c), the Indenture Trustee at the written direction of the Servicer shall withdraw from the Spread Account an amount equal to the lesser of (i) the Class B Principal Balance (after any payments to be made pursuant to subsection 5.4(c) on such date) and (ii) the Available Spread Account Amount and, if the Available Spread Account Amount is not sufficient to reduce the Class B Principal Balance to zero, Investment Earnings credited to the Spread Account up to the amount required to reduce the Class B Principal Balance to zero, and the Indenture Trustee upon the written direction of the Servicer or the Servicer shall deposit such amounts into the Collection Account for distribution to the Class B Noteholders in accordance with subsection 6.2(c).

(e) On any day following the occurrence of an Event of Default with respect to Series 2009-VFN and acceleration of the maturity of the Series 2009-VFN Notes pursuant to Section 5.3 of the Indenture, Servicer shall withdraw from the Spread Account an amount equal to the Available Spread Account Amount and Indenture Trustee or Servicer shall deposit such amounts into the Distribution Account for distribution to the Class B Noteholders, the Class A Noteholders and the Class M Noteholders, in that order of priority, in accordance with Section 6.2, to fund any shortfalls in amounts owed to such Noteholders.

(f) If on any Transfer Date, after giving effect to all withdrawals from the Spread Account, the Available Spread Account Amount is less than the Required Spread Account Amount then in effect, Available Finance Charge Collections, to the extent available, shall be deposited into the Spread Account pursuant to clause 5.4(a)(xii) up to the amount of the Spread Account Deficiency.

(g) If, after giving effect to all deposits to and withdrawals from the Spread Account with respect to any Transfer Date, the amount on deposit in the Spread Account exceeds the Required Spread Account Amount, the Indenture Trustee acting in accordance with the instructions of the Servicer, shall withdraw an amount equal to such excess from the Spread Account and distribute such amount to the Transferor. On the date on which the Class B Principal Balance has been paid in full, after making any payments to the Noteholders required pursuant to subsections 5.11(c), (d) and (e), the Indenture Trustee, at the written direction of Servicer, shall withdraw from the Spread Account all amounts then remaining in the Spread Account and pay such amounts to the holders of the Transferor Interest.

Section 5.12 Investment Instructions. Any investment instructions required to be given to the Indenture Trustee pursuant to the terms hereof must be given to the Indenture Trustee no later than 11:00 a.m., New York City time, on the date such investment is to be made. In the event the Indenture Trustee receives such investment instruction later than such time, the Indenture Trustee may, but shall have no obligation to, make such investment. In the event the Indenture Trustee is unable to make an investment required in an investment instruction received by the Indenture Trustee after 11:00 a.m., New York City time, on such day, such investment shall be made by the Indenture Trustee on the next succeeding Business Day. In no event shall the Indenture Trustee be liable for any investment not made pursuant to investment instructions received after 11:00 a.m., New York City time, on the day such investment is requested to be made.

Section 5.13 Determination of LIBOR.

(a) On each LIBOR Determination Date in respect of a Distribution Period, the Indenture Trustee shall determine LIBOR on the basis of the rate for deposits in United States dollars for a period of the Designated Maturity which appears on Reuters Screen 01 as of 11:00 a.m., London time, on such date. If such rate does not appear on Reuters Screen 01, the rate for that Distribution Period Determination Date shall be determined on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on that day to prime banks in the London interbank market for a period of the Designated Maturity. The Indenture Trustee shall request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two (2) such quotations are provided, the rate for that Distribution Period shall be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the rate for that Distribution Period will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Servicer, at approximately 11:00 a.m., New York City time, on that day for loans in United States dollars to leading European banks for a period of the Designated Maturity.

(b) LIBOR applicable to the then current and the immediately preceding Distribution Periods may be obtained by telephoning the Indenture Trustee at its corporate trust office at (312) 827-8500 or such other telephone number as shall be designated by the Indenture Trustee for such purpose by prior written notice by the Indenture Trustee to each Series 2009-VFN Noteholder from time to time.

(c) On each LIBOR Determination Date, the Indenture Trustee shall send to the Servicer by facsimile transmission notification of LIBOR for the following Distribution Period.

ARTICLE VI.

Delivery of Series 2009-VFN Notes; Distributions; Reports to Series 2009-VFN Noteholders

Section 6.1 Delivery and Payment for the Series 2009-VFN Notes.

The Issuer shall execute and issue, and the Indenture Trustee shall authenticate, the Series 2009-VFN Notes in accordance with Section 2.3 of the Indenture. The Indenture Trustee shall deliver the Series 2009-VFN Notes to or upon the written order of the Trust when so authenticated.

Section 6.2 Distributions.

(a) On each Distribution Date, the Indenture Trustee shall distribute to each Class A Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class A Noteholder's portion (determined in accordance with Section 4.2 and Article V) of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class A Noteholders pursuant to this Indenture Supplement.

(b) On each Distribution Date, the Indenture Trustee shall distribute to each Class M Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class M Noteholder's portion (determined in accordance with Section 4.2 and Article V) of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class M Noteholders pursuant to this Indenture Supplement.

(c) On each Distribution Date, the Indenture Trustee shall distribute to each Class B Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class B Noteholder's pro rata share of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class B Noteholders pursuant to this Indenture Supplement.

(d) The distributions to be made pursuant to this Section 6.2 are subject to the provisions of Sections 2.6, 6.1 and 7.1 of the Transfer and Servicing Agreement, Section 11.2 of the Indenture and Section 7.1 of this Indenture Supplement.

(e) All payments set forth herein shall be made by wire transfer of immediately available funds, provided that the Paying Agent, not less than five Business Days prior to the Record Date relating to the first distribution to such Series 2009-VFN Noteholder, has been furnished with appropriate wiring instructions in writing.

Section 6.3 Reports and Statements to Series 2009-VFN Noteholders.

(a) On each Distribution Date, the Indenture Trustee shall forward to each Series 2009-VFN Noteholder a statement substantially in the form of Exhibit C prepared by the Servicer.

(b) Not later than the second Business Day preceding each Distribution Date, the Servicer shall deliver to the Owner Trustee, the Indenture Trustee and each Rating Agency (i) a statement substantially in the form of Exhibit B prepared by the Servicer and (ii) a certificate of an Authorized Officer substantially in the form of Exhibit D; provided that the Servicer may amend the form of Exhibit B from time to time, with the prior written consent of the Indenture Trustee.

(c) A copy of each statement or certificate provided pursuant to paragraph (a) or (b) may be obtained by any Series 2009-VFN Noteholder by a request in writing to the Servicer.

(d) On or before January 31 of each calendar year, beginning with January 31, 2010, the Indenture Trustee shall furnish or cause to be furnished to each Person who at any time during the preceding calendar year was a Series 2009-VFN Noteholder, a statement prepared by the Servicer containing the information which is required to be contained in the statement to Series 2009-VFN Noteholders, as set forth in paragraph (a) above, aggregated for such calendar year or the applicable portion thereof during which such Person was a Series 2009-VFN Noteholder, together with other information as is required to be provided by an issuer of indebtedness under the Code. Such obligation of the Indenture Trustee shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Servicer pursuant to any requirements of the Code as from time to time in effect.

ARTICLE VII.

Series 2009-VFN Early Amortization Events

Section 7.1 Series 2009-VFN Early Amortization Events. If any one of the following events shall occur with respect to the Series 2009-VFN Notes:

(a) failure on the part of Transferor or the "Transferor" under the Pooling and Servicing Agreement (i) to make any payment or deposit required to be made by it by the terms of the Pooling and Servicing Agreement, the Collateral Series Supplement, the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Class M Note Purchase Agreement, the Indenture or this Indenture Supplement on or before the date occurring five (5) Business Days after the date such payment or deposit is required to be made therein or herein or (ii) duly to observe or perform in any material respect any other of its covenants or agreements set forth in the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Class M Note Purchase Agreement, the Pooling and Servicing Agreement, the Indenture or this Indenture Supplement, which failure has a material adverse effect on the Series 2009-VFN Noteholders and which continues unremedied for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Indenture Trustee, or to the Transferor and the Indenture Trustee by any Holder of the Series 2009-VFN Notes;

(b) any representation or warranty made by Transferor or the “Transferor” under the Pooling and Servicing Agreement, in the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Class M Note Purchase Agreement or the Pooling and Servicing Agreement or any information contained in a computer file or microfiche list required to be delivered by it pursuant to Section 2.1 or subsection 2.6(c) of the Transfer and Servicing Agreement or Section 2.1 or subsection 2.6(c) of the Pooling and Servicing Agreement shall prove to have been incorrect in any material respect when made or when delivered, which continues to be incorrect in any material respect for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Indenture Trustee, or to the Transferor and the Indenture Trustee by any Holder of the Series 2009-VFN Notes and as a result of which the interests of the Series 2009-VFN Noteholders are materially and adversely affected for such period; provided, however, that a Series 2009-VFN Early Amortization Event pursuant to this subsection 6.1(b) shall not be deemed to have occurred hereunder if the Transferor has accepted reassignment of the related Receivable, or all of such Receivables, if applicable, during such period in accordance with the provisions of the Transfer and Servicing Agreement or the Pooling and Servicing Agreement;

(c) the Portfolio Yield averaged over three consecutive Monthly Periods is less than the Base Rate averaged over such period;

(d) a failure by Transferor or the “Transferor” under the Pooling and Servicing Agreement to convey Receivables in Additional Accounts or Participations to the Receivables Trust within five (5) Business Days after the day on which it is required to convey such Receivables pursuant to subsection 2.6(b) of the Transfer and Servicing Agreement or subsection 2.8(b) of the Pooling and Servicing Agreement, respectively, provided that such failure shall not give rise to an Early Amortization Event if, prior to the date on which such conveyance was required to be completed, Transferor causes a reduction in the principal balance of any Variable Interest to occur, so that, after giving effect to that reduction (i) the Transferor Amount is not less than the Minimum Transferor Amount (including the Additional Minimum Transferor Amount, if any) and (ii) the sum of the aggregate amount of Principal Receivables plus amounts on deposit in the Excess Funding Account is not less than the Required Principal Balance;

(e) any Servicer Default or any “Servicer Default” under the Pooling and Servicing Agreement shall occur which would have a material adverse effect on the Series 2009-VFN Holders (which determination shall be made without reference to whether any funds are available under the Cash Collateral Account);

(f) the Class A Principal Balance shall not be paid in full on the Class A Scheduled Final Payment Date;

(g) the Class M Principal Balance shall not be paid in full on the Class M Scheduled Final Payment Date;

(h) at any time that (A) the _____ is equal to zero or (B) the _____ has been greater than zero for three or more consecutive Monthly Periods immediately following the Monthly Period in which a _____ occurs, the Available Cash Collateral Amount shall be less than the Required Cash Collateral Amount;

(i) at any time the _____ is greater than zero, the Available Cash Collateral Amount shall be less than the greater of (x) the product of (1) the Required Cash Collateral Amount and (2) 75% and (y) an amount equal to (1) the Required Cash Collateral Amount minus (2) the _____ ;

(j) a Change in Control has occurred;

(k) as on any Determination Date:

(i) the percentage equivalent of a fraction (A) the numerator of which is the sum of (1) the aggregate Principal Receivables outstanding that have remained unpaid more than 60 days after their contractual due date as of the end of the related Monthly Period plus (2) the aggregate of the Default Amounts for all Accounts that became Defaulted Accounts during the related Monthly Period and (B) the denominator of which is the total Principal Receivables as of the end of the related Monthly Period is greater than 8.0%;

(ii) the average of the dilution ratio for that Determination Date and the preceding two Determination Dates is greater than (x) 5.0% for any Determination Date falling in December, January or February and (y) 4.0% for any other Determination Date, where the "dilution ratio" for any Determination Date equals the percentage equivalent of a fraction (A) the numerator of which is the aggregate amount of Dilution for the prior Monthly Period (B) the denominator of which is the total Principal Receivables as of the last day of the Monthly Period immediately prior to the Monthly Period related to such Determination Date;

(iii) the average of the default ratio for that Determination Date and the preceding two Determination Dates is greater than 1.35%, where the "default ratio" for any Determination Date equals the percentage equivalent of a fraction (A) the numerator of which is the aggregate of the Default Amounts for all Accounts that became Defaulted Accounts during the related Monthly Period and (B) the denominator of which is the total Principal Receivables as of the end of the related Monthly Period;

(iv) the percentage equivalent of a fraction (A) the numerator of which is the aggregate Collections received during the related Monthly Period and (B) the denominator of which is equal to the total Principal Receivables held by the Trust at the close of business for the Monthly Period immediately prior to such related Monthly Period shall be less than 10%; and

(v) the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to any one Merchant (other than Redcats, Limited Brands or any Merchant affiliated with any of the foregoing) as of the end of any related Monthly Period and (B) the denominator of which is the aggregated total Principal Receivables as of the end of such related Monthly Period exceeds 14.5%.

(l) the Pension Benefit Guaranty Corporation shall file notice of a lien pursuant to Section 4068 of the Employee Retirement Income Security Act of 1974 with regard to any of the assets of WFN, which lien shall secure a liability in excess of \$10,000,000 and shall not have been released within 40 days;

(m) a default shall have occurred and be continuing under any instrument or agreement evidencing or securing indebtedness for borrowed money of WFN in excess of \$10,000,000 which default (i) is a default in payment of any principal or interest on such indebtedness when due or within any applicable grace period or (ii) shall have resulted in acceleration of the maturity of such indebtedness; or

(n) without limiting the foregoing, the occurrence of an Event of Default with respect to Series 2009-VFN and acceleration of the maturity of the Series 2009-VFN Notes pursuant to Section 5.3 of the Indenture.

then, in the case of any event described in subsections 7.1(a), (b), (e), (l) or (m) of this Indenture Supplement, after the applicable grace period set forth in such Sections, either Indenture Trustee or Holders of Class A Notes evidencing undivided interests aggregating more than 50% of the Class A Principal Balance by notice then given in writing to Transferor and Servicer (and to the Indenture Trustee if given by the Holders) may declare that an early amortization event (a “Early Amortization Event”) has occurred as of the date of such notice, and in the case of any event described in subsections 7.1(c), (d), (f), (g), (h), (i), (j), (k) or (n) of this Indenture Supplement, an Early Amortization Event shall occur without any notice or other action on the part of Indenture Trustee or the Series 2009-VFN Noteholders immediately upon the occurrence of such event.

In addition to the other consequences of a Series 2009-VFN Early Amortization Event specified herein, from and after the occurrence of any Series 2009-VFN Early Amortization Event (until the same shall have been waived by all of the Series 2009-VFN Noteholders), with respect to any Account included in the Identified Portfolio, Transferor shall no longer permit or require Merchant Adjustment Payments (except those owed by Redcats) or In-Store Payments to be netted against amounts owed to Transferor by the applicable Merchant but shall instead exercise its rights to require each Merchant (other than Redcats) to transfer to Servicer, not later than the third Business Day following receipt by such Merchant of any In-Store Payments or the occurrence of any event giving rise to Merchant Adjustment Payments, an amount equal to the sum of such In-Store Payments and Merchant Adjustment Payments. In addition, if any bankruptcy or other insolvency proceeding has been commenced against a Merchant, Servicer shall require that Merchant to (i) stop accepting In-Store Payments and (ii) inform Obligors who wish to make In-Store Payments that payment should instead be sent to Servicer, provided that Servicer shall not be required to take such action if (x) Servicer or Trustee has been provided a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments, (y) the Rating Agency Condition is satisfied with respect to such letter of credit, surety bond or other similar instrument and (z) each of the Series 2009-VFN Noteholders consents to such arrangement.

ARTICLE VIII.

Redemption of Series 2009-VFN Notes; Series Termination

Section 8.1 Optional Redemption of Series 2009-VFN Notes; Final Distributions.

(a) On any Business Day occurring on or after the date on which the outstanding principal balance of the Series 2009-VFN Notes is reduced to 10% or less of the greatest ever Note Principal Balance, the Servicer shall have the option to redeem the Series 2009-VFN Notes, at a purchase price equal to (i) if such day is a Distribution Date, the Reassignment Amount for such Distribution Date or (ii) if such day is not a Distribution Date, the Reassignment Amount for the Distribution Date following such day.

(b) Servicer shall give the Indenture Trustee at least thirty (30) days prior written notice of the date on which Servicer intends to exercise such optional redemption. Not later than 12:00 noon, New York City time, on such day Servicer shall deposit into the Collection Account in immediately available funds the excess of the Reassignment Amount over the amount, if any, on deposit in the Principal Account. Such redemption option is subject to payment in full of the Reassignment Amount. Following such deposit into the Collection Account in accordance with the foregoing, the Collateral Amount for Series 2009-VFN shall be reduced to zero and the Series 2009-VFN Noteholders shall have no further security interest in the Receivables. The Reassignment Amount shall be distributed as set forth in subsection 8.1(d).

(c) (i) The amount to be paid by the Transferor with respect to Series 2009-VFN in connection with a reassignment of Receivables to the Transferor pursuant to subsection 2.4(e) of the Transfer and Servicing Agreement shall equal the Reassignment Amount for the first Distribution Date following the Monthly Period in which the reassignment obligation arises under the Transfer and Servicing Agreement.

(ii) The amount to be paid by the Transferor with respect to Series 2009-VFN in connection with a repurchase of the Notes pursuant to Section 7.1 of the Transfer and Servicing Agreement shall equal the Reassignment Amount for the Distribution Date of such repurchase.

(d) With respect to (a) the Reassignment Amount deposited into the Distribution Account pursuant to Section 8.1 or (b) the proceeds of any sale of Receivables pursuant to clause 5.5(a)(iii) of the Indenture with respect to Series 2009-VFN, the Indenture Trustee shall, in accordance with the written direction of the Servicer, not later than 12:00 noon, New York City time, on the related Distribution Date, make distributions of the following amounts (in the priority set forth below and, in each case, after giving effect to any deposits and distributions otherwise to be made on such date) in immediately available funds: (i) (x) the Class A Principal Balance on such Distribution Date will be distributed to the Class A Noteholders and (y) an amount equal to the sum of (A) Class A Monthly Interest for such Distribution Date, (B) any Class A Monthly Interest previously due but not distributed to the Class A Noteholders on any prior Distribution Date, (C) Class A Non-Use Fees, if any, due and payable on such Distribution Date or any prior Distribution Date and (D) Class A Additional Amounts, if any, due and payable on such Distribution Date or any prior Distribution Date, (ii) (x) the Class M Principal Balance on such Distribution Date will be distributed to the Class M Noteholders and (y) an amount equal to the sum of (A) Class M Monthly Interest for such Distribution Date will be distributed to the Class M Noteholders, (D) Class M Non-Use Fees, if any, due and payable on such Distribution Date or any prior Distribution Date and (E) Class M Additional Amounts, if any, due and payable on such Distribution Date or any prior Distribution Date, (iii)(x) the Class B Principal Balance on such Distribution Date will be distributed to the Class B Noteholders and (y) an amount equal to the sum of (A) Class B Monthly Interest for such Distribution Date, (B) any Class B Deficiency Amount for such Distribution Date, (C) the amount of Class B Additional Interest, if any, for such Distribution Date and any Class B Additional Interest previously due but not distributed to the Class B Noteholders on any prior Distribution Date, will be distributed to the Class B Noteholders and (D) Class B Additional Amounts, if any, due and payable on such Distribution Date or any prior Distribution Date, and (iv) any excess shall be released to the Issuer.

Section 8.2 Series Termination. The right of the Series 2009-VFN Noteholders to receive payments from the Trust will terminate on the first Business Day following the Series Termination Date.

ARTICLE IX.

Miscellaneous Provisions

Section 9.1 Ratification of Indenture; Amendments. As supplemented by this Indenture Supplement, the Indenture is in all respects ratified and confirmed and the Indenture as so supplemented by this Indenture Supplement shall be read, taken and construed as one and the same instrument. This Indenture Supplement may be amended only by a Supplemental Indenture entered in accordance with the terms of Section 10.1 or 10.2 of the Indenture. For purposes of the application of Section 10.2 to any amendment of this Indenture Supplement, the Series 2009-VFN Noteholders shall be the only Noteholders whose vote shall be required. The Transferor shall provide notice of any amendment to this Indenture Supplement to S&P.

Section 9.2 Form of Delivery of the Series 2009-VFN Notes. The Class A Notes, the Class M Notes and the Class B Notes shall be Definitive Notes and shall be registered in the Note Register in the name of the initial purchasers of such Notes identified in the Note Purchase Agreements.

Section 9.3 Notices. Any required notice shall be made to the Rating Agencies and the Noteholders at the following:

- (a) If to Fitch: Fitch, Inc., One State Street Plaza, New York, New York 10004.
- (b) If to DBRS: DBRS, Inc., 140 Broadway, 35th Floor, New York, New York, 10005 and abs-surveillance@dbrs.com.
- (c) If to the Series 2009-VFN Noteholders, to the address specified in the applicable Note Purchase Agreement.

Section 9.4 Counterparts. This Indenture Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

Section 9.5 GOVERNING LAW. THIS INDENTURE SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 9.6 Limitation of Liability. Notwithstanding any other provision herein or elsewhere, this Agreement has been executed and delivered by U.S. Bank Trust National Association, not in its individual capacity, but solely in its capacity as Owner Trustee of the Trust, in no event shall U.S. Bank Trust National Association in its individual capacity have any liability in respect of the representations, warranties, or obligations of the Trust hereunder or under any other document, as to all of which recourse shall be had solely to the assets of the Trust, and for all purposes of this Agreement and each other document, the Owner Trustee (as such or in its individual capacity) shall be subject to, and entitled to the benefits of, the terms and provisions of the Trust Agreement.

Section 9.7 Rights of the Indenture Trustee. The Indenture Trustee shall have herein the same rights, protections, indemnities and immunities as specified in the Master Indenture.

Section 9.8 Additional Provisions. Notwithstanding anything to the contrary in any Transaction Document, until the Series Termination Date:

- (a) The Indenture Trustee shall not agree to any extension of the 60 day periods referred to in Section 2.4 or 3.3 of the Transfer and Servicing Agreement;
- (b) Notwithstanding subsection 3.3(j) of the Transfer and Servicing Agreement, neither Transferor nor Servicer will take any action to cause any Receivable to be evidenced by, or to constitute, chattel paper, and each represents that none of the Receivables is evidenced by, or constitutes, chattel paper.
- (c) Without the consent of each Class A Noteholder and each Class M Noteholder (which consent shall not be unreasonably withheld or delayed), Transferor shall not (i) engage in any transaction described in Section 4.2 of the Transfer and Servicing Agreement, (ii) designate additional or substitute Transferors or Credit Card Originators as permitted by Section 2.9 or 2.10 of the Transfer and Servicing Agreement, (iii) increase the percentage of Principal Receivables referred to in the proviso to clause (f) of the definition of "Eligible Account", (iv) amend any Transaction Document in a manner that adversely affects the Class A Noteholders or the Class M Noteholders, (v) amend the Transfer and Servicing Agreement to permit the addition of receivables arising in VISA, MasterCard or any other type of open end revolving credit card account other than those in the Identified Portfolio or (vi) amend this Indenture Supplement.

(d) The Additional Minimum Transferor Amount is hereby specified as an additional amount to be considered part of the Minimum Transferor Amount pursuant to clause (b) of the definition of Minimum Transferor Amount.

(e) The Transferor may designate additional Approved Portfolios if (a) the Rating Agency Condition is satisfied with respect to that designation and (b) the Transferor delivers to the Indenture Trustee an Opinion of Counsel that all UCC financing statements or amendments required to perfect the interest of the Trust and, if the date of determination is prior to the Certificate Trust Termination Date, the Trustee in Receivables arising in accounts included in each such Additional Portfolio have been made.

Section 9.9 No Petition. The Issuer and the Indenture Trustee, by entering into this Indenture Supplement, and each Series 2009-VFN Noteholder, by accepting a Series 2009-VFN Note, hereby covenant and agree that they will not at any time institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy proceedings under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Series 2009-VFN Noteholders, the Indenture or this Indenture Supplement; provided, however, that nothing herein shall prohibit the Indenture Trustee from filing proofs of claim or otherwise participating in such proceedings instituted by any other person. The provisions of this Section 9.8 shall survive the termination of this Indenture Supplement.

Section 9.10 Additional Requirements for Registration of and Limitations on Transfer and Exchange of Notes.

(a) All Transfers will be subject to the transfer restrictions set forth on the Notes.

(b) No Transfer (or purported Transfer) of a Class B Note (or economic interest therein) shall be made by WFN, the Transferor or any person which is considered the same person as WFN or the Transferor for U.S. Federal income tax purposes (except to a person which is considered the same person as WFN for such purposes) and any such Transfer (or purported Transfer) of such Notes shall be void ab initio unless an Opinion of Counsel is first delivered to the Indenture Trustee to the effect that such Notes will constitute debt for U.S. federal income tax purposes.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have caused this Indenture Supplement to be duly executed and delivered by their respective duly authorized officers on the day and year first above written.

WORLD FINANCIAL NETWORK CREDIT CARD MASTER
NOTE TRUST, as Issuer

By: U. S. Bank Trust National Association, not in its individual
capacity, but solely as Owner Trustee

By: /s/ Mildred F. Smith

Name: Mildred F. Smith

Title: Vice President

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Indenture Trustee

By: /s/ David H. Hill

Name: David H. Hill

Title: Senior Associate

Acknowledged and Accepted:

WFN CREDIT COMPANY, LLC
as Transferor

By: /s/ Daniel T. Grooms

Name: Daniel T. Grooms

Title: President

WORLD FINANCIAL CAPITAL MASTER NOTE TRUST

Issuer

And

U.S. BANK NATIONAL ASSOCIATION

Indenture Trustee

**AMENDED AND RESTATED S
ERIES 2009-VFN INDENTURE SUPPLEMENT**

Dated as of June 4, 2010

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AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT, dated as of June 4, 2010 (the "Indenture Supplement"), between WORLD FINANCIAL CAPITAL MASTER NOTE TRUST, a trust organized and existing under the laws of the State of Delaware (herein, the "Issuer" or the "Trust"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, but solely as indenture trustee (herein, together with its successors in the trusts thereunder as provided in the Indenture referred to below, the "Indenture Trustee") under the Master Indenture, dated as of September 29, 2008 (the "Indenture"), between the Issuer and the Indenture Trustee (the Indenture, together with this Indenture Supplement, the "Agreement").

WHEREAS, the parties hereto are party to the Series 2009-VFN Indenture Supplement, dated as of September 28, 2009 (the "Original Indenture Supplement").

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the Original Indenture Supplement is hereby amended and restated in its entirety as follows and each party agrees as follows for the benefit of the other party and the Series 2009-VFN Noteholders:

Pursuant to Section 2.11 of the Indenture, the Transferor may direct the Issuer to issue one or more Series of Notes. The Principal Terms of this Series are set forth in this Indenture Supplement to the Indenture.

ARTICLE I.

Creation of the Series 2009-VFN Notes

Section 1.1 Designation.

(a) Pursuant to the Indenture and the Original Indenture Supplement a Series of Notes was issued known as "World Financial Capital Master Note Trust, Series 2009-VFN" or the "Series 2009-VFN Notes." The Series 2009-VFN Notes were issued in four Classes, known as the "Class A Series 2009-VFN Floating Rate Asset Backed Notes," the "Class M Series 2009-VFN Asset Backed Notes," the "Class B Series 2009-VFN Asset Backed Notes" and the "Class C Series 2009-VFN Asset Backed Notes." The Series 2009-VFN Notes shall be Variable Interests.

(b) The Class A Notes may from time to time be divided into separate ownership tranches (each a "Class A Ownership Tranche") which shall be identical in all respects, except for their respective Class A Maximum Principal Balances, Class A Principal Balances and certain matters relating to the rate and payment of interest. The initial allocation of Class A Notes among Class A Ownership Tranches shall be made, and reallocations among such Class A Ownership Tranches or new Class A Ownership Tranches may be made, as provided in Section 4.1 of this Indenture Supplement and the Class A Note Purchase Agreement.

(c) The Class M Notes may from time to time be divided into separate ownership tranches (each a "Class M Ownership Tranche") which shall be identical in all respects, except for their respective Class M Maximum Principal Balances, Class M Principal Balances and certain matters relating to the rate and payment of interest. The initial allocation of Class M Notes among Class M Ownership Tranches shall be made, and reallocations among such Class M Ownership Tranches or new Class M Ownership Tranches may be made, as provided in Section 4.1 of this Indenture Supplement and the Class M Note Purchase Agreement.

(d) Series 2009-VFN shall be included in Group One and shall be a Principal Sharing Series. Series 2009-VFN shall be an Excess Allocation Series with respect to Group One only. Series 2009-VFN shall not be subordinated to any other Series.

ARTICLE II.

Definitions

Section 2.1 Definitions.

(a) Whenever used in this Indenture Supplement, the following words and phrases shall have the following meanings, and the definitions of such terms are applicable to the singular as well as the plural forms of such terms and the masculine as well as the feminine and neuter genders of such terms.

“Aggregate Investor Default Amount” means, as to any Monthly Period, the sum of the Investor Default Amounts in respect of such Monthly Period.

“Allocation Percentage” means, with respect to any Monthly Period, the percentage equivalent of a fraction:

(a) the numerator of which shall be equal to:

(i) for Principal Collections during the Revolving Period and for Finance Charge Collections and Default Amounts at any time, the Collateral Amount at the end of the last day of the prior Monthly Period (or, in the case of the Monthly Period in which the Closing Date occurs, on the Closing Date), less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated; provided, however, that with respect to any Monthly Period in which a Reset Date occurs as a result of a Class A Incremental Funding, Class M Incremental Funding, Class B Incremental Funding, Class C Incremental Funding or the issuance of a new Series, the numerator determined pursuant to this clause (i) shall be (A) the Collateral Amount as of the close of business on the later of the last day of the prior Monthly Period or the preceding Reset Date, in each case less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated (to the extent not already subtracted in determining the Collateral Amount), for the period from and including the first day of the current Monthly Period or the preceding Reset Date, as applicable, to but excluding such Reset Date and (B) the Collateral Amount as of the close of business on such Reset Date, less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated (to the extent not already subtracted in determining the Collateral Amount), for the period from and including such Reset Date to the earlier of the last day of such Monthly Period (in which case such period shall include such day) or the next succeeding Reset Date (in which case such period shall not include such succeeding Reset Date); or

(ii) for Principal Collections during the Early Amortization Period and the Controlled Amortization Period, the Collateral Amount at the end of the last day of the Revolving Period, provided, however, that the Transferor may, by written notice to the Indenture Trustee, the Servicer and the Rating Agencies, reduce the numerator used for purposes of allocating Principal Collections to Series 2009-VFN at any time if (x) the Rating Agency Condition shall have been satisfied with respect to such reduction and (y) the Transferor shall have delivered to the Indenture Trustee an Officer's Certificate to the effect, based on the facts known to such officer at that time, in the reasonable belief of the Transferor, such designation will not cause a Series 2009-VFN Early Amortization Event or an event that, after the giving of notice or the lapse of time, would cause a Series 2009-VFN Early Amortization Event to occur with respect to Series 2009-VFN; and

(b) the denominator of which shall be the greater of (x) the Aggregate Principal Receivables determined as of the close of business on the last day of the prior Monthly Period and (y) the sum of the numerators used to calculate the allocation percentages for allocations with respect to Finance Charge Collections, Principal Collections or Default Amounts, as applicable, for all outstanding Series on such date of determination provided, that if one or more Reset Dates occur in a Monthly Period, the Allocation Percentage for the portion of the Monthly Period falling on and after such Reset Date and prior to any subsequent Reset Date will be recalculated for such period as of the close of business on the subject Reset Date.

"Amendment Date" means June 4, 2010.

"Available Cash Collateral Amount" means with respect to any Transfer Date, an amount equal to the lesser of (a) the amount on deposit in the Cash Collateral Account (before giving effect to any deposit to, or withdrawal from, the Cash Collateral Account made or to be made with respect to such date) and (b) the Required Cash Collateral Amount for such Transfer Date.

"Available Finance Charge Collections" means, for any Monthly Period, an amount equal to the sum of (a) the Investor Finance Charge Collections for such Monthly Period, plus (b) the Excess Finance Charge Collections allocated to Series 2009-VFN for such Monthly Period, plus (c) interest and earnings on funds on deposit in the Cash Collateral Account which will be deposited into the Finance Charge Account on the related Transfer Date to be treated as Available Finance Charge Collections pursuant to subsection 5.10(b).

"Available Principal Collections" means, for any Monthly Period, an amount equal to the sum of (a) the Investor Principal Collections for such Monthly Period, minus (b) the amount of Reallocated Principal Collections with respect to such Monthly Period which pursuant to Section 5.6 are required to be applied on the related Distribution Date, plus (c) any Shared Principal Collections with respect to other Principal Sharing Series (including any amounts on deposit in the Excess Funding Account that are allocated to Series 2009-VFN for application as Shared Principal Collections), plus (d) the aggregate amount to be treated as Available Principal Collections pursuant to clauses 5.4(a)(viii) and (ix) for the related Distribution Date.

“Bankrupt Merchant” means any Merchant which fails generally to, or admits in writing its inability to, pay its debts as they become due; or any Merchant for which a proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect such Merchant in an involuntary case under any Debtor Relief Law, or for the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceedings shall continue undismissed or unstayed and in effect for a period of 60 consecutive days or any of the actions sought in such proceeding shall occur; or any Merchant that commences a voluntary case under any Debtor Relief Law, or such Merchant’s consent to the entry of an order for relief in an involuntary case under any Debtor Relief Law, or consent to the appointment of a taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official for any substantial part of its property, or any general assignment for the benefit of creditors; or any Merchant or any Affiliate of such Merchant shall have taken any corporate action in furtherance of any of the foregoing actions with respect to such Merchant.

“Base Rate” means, as to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is equal to the sum of the Monthly Interest, any Class A Non-Use Fees and Class M Non-Use Fees paid pursuant to clauses 5.4(a)(ii) and (v) and any Class A Additional Amounts and Class M Additional Amounts payable pursuant to clauses 5.4(a)(i) through (vii) each for the related Distribution Period, any Class M Additional Interest, any Class B Additional Interest and the Noteholder Servicing Fee with respect to such Monthly Period, and the denominator of which is the Weighted Average Collateral Amount during such Monthly Period.

“Cash Collateral Account” is defined in subsection 5.10(a).

“Change in Control” means the failure of Holding to own, directly or indirectly, 100% of the outstanding shares of common stock (excluding directors’ qualifying shares) of WFCB.

“Class A Additional Amounts” means Additional Amounts (as defined in the Class A Note Purchase Agreement) payable to the Class A Noteholders pursuant to the Class A Note Purchase Agreement.

“Class A Administrative Agents” is defined in the Class A Note Purchase Agreement.

“Class A Breakage Payment” is defined in subsection 5.2(e).

“Class A Funding Tranche” is defined in subsection 5.2(a).

“Class A Incremental Funding” means any increase in the Class A Principal Balance during the Revolving Period made pursuant to the Class A Note Purchase Agreement and Section 4.1(a) hereof.

“Class A Incremental Principal Balance” means the amount of the increase in the Class A Principal Balance occurring as a result of any Class A Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class A Noteholders pursuant to the Class A Note Purchase Agreement with respect to such Class A Incremental Funding.

“Class A Maximum Principal Balance” means the “Maximum Class A Principal Balance” (as defined in the Class A Note Purchase Agreement), as such amount may be increased or decreased from time to time pursuant to the Class A Note Purchase Agreement. As applied to any particular Class A Note, the “Class A Maximum Principal Balance” means the portion of the overall Class A Maximum Principal Balance represented by that Class A Note.

“Class A Monthly Interest” is defined in subsection 5.2(a).

“Class A Monthly Principal” is defined in subsection 5.3(a).

“Class A Non-Use Fee” means the Class A Non-Use Fee defined in the Class A Note Purchase Agreement.

“Class A Note Purchase Agreement” means the Amended and Restated Note Purchase Agreement, dated as of the Amendment Date, among Transferor, the Issuer, the Servicer and the initial Class A Noteholders, as supplemented by the various Fee Letters referred to (and defined) therein, and as the same may be amended or otherwise modified from time to time. The Class A Note Purchase Agreement is hereby designated a “Transaction Document” for all purposes of the Agreement and this Indenture Supplement.

“Class A Noteholder” means the Person in whose name a Class A Note is registered in the Note Register.

“Class A Notes” means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-1.

“Class A Ownership Group” means the “Ownership Group” defined in the Class A Note Purchase Agreement.

“Class A Ownership Group Percentage” means the “Ownership Group Percentage” defined in the Class A Note Purchase Agreement.

“Class A Ownership Tranche” is defined in subsection 1.1(b).

“Class A Principal Balance” means, on any Business Day, an amount equal to the result of (a) \$ _____, plus (b) the aggregate amount of all Class A Incremental Principal Balances for all Class A Incremental Fundings occurring after the Closing Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class A Noteholders after the Closing Date and on or prior to such Business Day. As applied to any particular Class A Note, the “Class A Principal Balance” means the portion of the overall Class A Principal Balance represented by that Class A Note. The Class A Principal Balance shall be allocated among the Class A Ownership Tranches as provided in the Class A Note Purchase Agreement.

“Class A Pro Rata Percentage” means %.

“Class A Purchase Limit” means the “Purchase Limit” defined in the Class A Note Purchase Agreement.

“Class A Required Amount” means, for any Distribution Date, an amount equal to the excess of the amounts described in clauses 5.4(a)(i), (ii) and (iii) over the sum of (a) Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a) and (b) any amount withdrawn from the Cash Collateral Account and applied to pay such amount pursuant to subsection 5.10(c).

“Class A Scheduled Final Payment Date” means the Distribution Date falling in the twelfth month following the month in which the Controlled Amortization Period begins.

“Class A Tranche Rate” means, for any Distribution Period, the Note Rate (as defined in the Class A Note Purchase Agreement) for each Class A Ownership Tranche (or any related Class A Funding Tranche).

“Class B Additional Interest” is defined in subsection 5.2(c).

“Class B Deficiency Amount” is defined in subsection 5.2(c).

“Class B Incremental Funding” means any increase in the Class B Principal Balance during the Revolving Period made pursuant to the applicable Class B Note Purchase Agreement.

“Class B Incremental Principal Balance” means the amount of the increase in the Class B Principal Balance occurring as a result of any Class B Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class B Noteholders pursuant to the Class B Note Purchase Agreement with respect to such Class B Incremental Funding.

“Class B Maximum Principal Balance” means the product of (a) a fraction, the numerator of which is the Class A Maximum Principal Balance and the denominator of which is the Class A Pro Rata Percentage and (b) the Class B Pro Rata Percentage, as such amount may be increased or decreased from time to time pursuant to the Class B Note Purchase Agreement. As applied to any particular Class B Note, the “Class B Maximum Principal Balance” means the portion of the overall Class B Maximum Principal Balance represented by that Class B Note.

“Class B Monthly Interest” is defined in subsection 5.2(c).

“Class B Monthly Principal” is defined in subsection 5.3(c).

“Class B Note Interest Rate” means %.

“Class B Note Purchase Agreement” means any of the Note Purchase Agreements, entered into among WFCB, the Transferor and each party that purchases Class B Notes from the Transferor.

“Class B Noteholder” means the Person in whose name a Class B Note is registered in the Note Register.

“Class B Notes” means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-3.

“Class B Principal Balance” means, on any Business Day, an amount equal to the result of (a) \$ _____, plus (b) the aggregate amount of all Class B Incremental Principal Balances for all Class B Incremental Fundings occurring after the Closing Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class B Noteholders after the Closing Date and on or prior to such date. As applied to any particular Class B Note, the “Class B Principal Balance” means the portion of the overall Principal Balance represented by that Class B Note.

“Class B Pro Rata Percentage” means _____ %.

“Class B Required Amount” means, for any Distribution Date, an amount equal to the excess of the amount described in clause 5.4(a)(vi) over the sum of (a) Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a) and (b) any amount withdrawn from the Cash Collateral Account and applied to pay such amount pursuant to subsection 5.10(c).

“Class C Additional Interest” is defined in subsection 5.2(d).

“Class C Deficiency Amount” is defined in subsection 5.2(d).

“Class C Incremental Funding” means any increase in the Class C Principal Balance during the Revolving Period made pursuant to the Class C Note Purchase Agreement.

“Class C Incremental Principal Balance” means the amount of the increase in the Class C Principal Balance occurring as a result of any Class C Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class C Noteholders pursuant to the Class C Note Purchase Agreement with respect to such Class C Incremental Funding.

“Class C Maximum Principal Balance” means the product of (a) a fraction, the numerator of which is the Class A Maximum Principal Balance and the denominator of which is the Class A Pro Rata Percentage and (b) the Class C Pro Rata Percentage, as such amount may be increased or decreased from time to time pursuant to the Class C Note Purchase Agreement. As applied to any particular Class C Note, the “Class C Maximum Principal Balance” means the portion of the overall Maximum Principal Balance represented by that Class C Note.

“Class C Monthly Interest” is defined in subsection 5.2(d).

“Class C Monthly Principal” is defined in subsection 5.3(d).

“Class M Monthly Interest” is defined in subsection 5.2(b).

“Class M Monthly Principal” is defined in subsection 5.3(b).

“Class M Non-Use Fee” means the Non-Use Fee defined in the Class M Note Purchase Agreement.

“Class M Note Purchase Agreement” means the Class M Note Purchase Agreement, dated as of the Amendment Date, among Transferor, the Issuer, the Servicer and the initial Class M Noteholders party thereto, as supplemented by the various Fee Letters referred to (and defined) therein, and as the same may be amended or otherwise modified from time to time. The Class M Note Purchase Agreement is hereby designated a “Transaction Document” for all purposes of the Agreement and this Indenture Supplement.

“Class M Noteholder” means the Person in whose name a Class M Note is registered in the Note Register.

“Class M Notes” means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-2.

“Class M Ownership Group” means the “Ownership Group” defined in the Class M Note Purchase Agreement.

“Class M Ownership Group Percentage” means the “Ownership Group Percentage” defined in the Class M Note Purchase Agreement.

“Class M Ownership Tranche” is defined in subsection 1.1(c).

“Class M Principal Balance” means, on any Business Day, an amount equal to the result of (a) \$ _____ the aggregate amount of all Class M Incremental Principal Balances for all Class M Incremental Fundings occurring after the Amendment Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class M Noteholders after the Closing Date and on or prior to such date. As applied to any particular Class M Note, the “Class M Principal Balance” means the portion of the overall Principal Balance represented by that Class M Note.

“Class M Pro Rata Percentage” means _____ %.

“Class M Purchase Limit” means the “Purchase Limit” defined in the Class M Note Purchase Agreement.

“Class M Required Amount” means, for any Distribution Date, an amount equal to the excess of the amount described in clauses 5.4(a)(iv), (v) and (xiii), over the sum of (a) Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a) and (b) any amount withdrawn from the Cash Collateral Account and applied to pay such amount pursuant to subsection 5.10(c).

“Class M Scheduled Final Payment Date” means the Distribution Date falling in the twelfth month following the month in which the Controlled Amortization Period begins.

“Class M Tranche Rate” means, for any Distribution Period, the Class M Note Rate (as defined in the Class M Note Purchase Agreement) for each Class M Ownership Tranche (or any related Class M Funding Tranche).

“Closing Date” means September 28, 2009.

“Collateral Amount” means, as of any date of determination, an amount equal to (a) the Note Principal Balance minus (b) the excess, if any, of the aggregate amount of Investor Charge-Offs and Reallocated Principal Collections over the reimbursement of such amounts pursuant to clause 5.4(a)(ix) prior to such date.

“Controlled Amortization Amount” means for any Transfer Date with respect to the Controlled Amortization Period prior to the payment in full of the Note Principal Balance, an amount equal to (a) the Note Principal Balance as of the close of business on the last day of the Revolving Period divided by (b) twelve.

“Controlled Amortization Date” means the “Purchase Expiration Date” (as such term is defined in the Class A Note Purchase Agreement).

“Controlled Amortization Period” means, unless a Series 2009-VFN Early Amortization Event shall have occurred prior thereto, the period commencing at the close of business on the first Controlled Amortization Date to occur (without being extended as provided in the applicable Note Purchase Agreement) and ending on the earlier to occur of (a) the commencement of the Early Amortization Period, and (b) the Series Termination Date, provided that Transferor may, by 2 Business Days’ prior written notice to the Indenture Trustee and each Series 2009-VFN Noteholder (and so long as the Early Amortization Period has not begun), cause the Controlled Amortization Period to begin on any date earlier than the one otherwise specified above.

“Controlled Amortization Shortfall” initially means zero and thereafter means, with respect to any Monthly Period during the Controlled Amortization Period, the excess, if any, of the Controlled Payment Amount for the previous Monthly Period over the sum of the amount distributed pursuant to subsection 6.2(a) with respect to the Class A Notes for the previous Monthly Period, the amount distributed pursuant to subsection 6.2(b) with respect to the Class M Notes for the previous Monthly Period, the amount distributed pursuant to subsection 6.2(c) with respect to the Class B Notes for the previous Monthly Period and the amount distributed pursuant to subsection 6.2(d) with respect to the Class C Notes for the previous Monthly Period.

“Controlled Payment Amount” means, with respect to any Transfer Date, the sum of (a) the Controlled Amortization Amount for such Transfer Date and (b) any existing Controlled Amortization Shortfall.

“Day Count Fraction” means, as to any Class A Ownership Tranche (or Class A Funding Tranche), any Class M Ownership Tranche or Class M Funding Tranche, any Class B Note or any Class C Note for any Distribution Period, a fraction (a) the numerator of which is the number of days in that Distribution Period (or, if less, the number of days during that Distribution Period during which that Class A Ownership Tranche, Class A Funding Tranche, Class M Ownership Tranche or Class M Funding Tranche, Class B Note or Class C Note was outstanding, including the first, but excluding the last, such day) and (b) the denominator of which is the actual number of days in the related calendar year (or, if so specified in the related Note Purchase Agreement, 360).

“DBRS” means DBRS, Inc.

“Default Amount” means, as to any Defaulted Account, the amount of Principal Receivables (other than Ineligible Receivables, unless there is an Insolvency Event with respect to WFCB or the Transferor) in such Defaulted Account on the day it became a Defaulted Account.

“Defaulted Account” means an Account in which there are Defaulted Receivables.

“Designated LIBOR Page” means Reuters Screen LIBOR01 page or such other page as may replace such page on that service or other service or services as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates of U.S. dollar deposits.

“Designated Maturity” means, for any LIBOR Determination Date, one month.

“Dilution” means any downward adjustment made by Servicer in the amount of any Receivable (a) because of a rebate, refund or billing error to an accountholder, (b) because such Receivable was created in respect of merchandise which was refused or returned by an accountholder or (c) for any other reason other than receiving Collections therefor or charging off such amount as uncollectible.

“Distribution Account” is defined in subsection 5.9(a).

“Distribution Date” means November 16, 2009 and the 15th day of each calendar month thereafter, or if such 15th day is not a Business Day, the next succeeding Business Day.

“Distribution Period” means, for any Distribution Date, the period from and including the Distribution Date immediately preceding such Distribution Date (or, in the case of the first Distribution Date, from and including the Closing Date) to but excluding such Distribution Date.

“Early Amortization Period” means the period commencing on the date on which a Trust Early Amortization Event or a Series 2009-VFN Early Amortization Event is deemed to occur and ending on the Series Termination Date.

“Eligible Investments” is defined in Annex A to the Indenture; provided that solely for purposes of Section 5.11(b), references to the “highest investment category” of S&P shall mean A-2 and of Moody’s shall mean P-2; and provided, further, in no event shall any Eligible Investment be an equity security or cause the Trust to have any voting rights in respect of such Eligible Investment.

“Excess Spread Percentage” means, for any Monthly Period, a percentage equal to the Portfolio Yield for such Monthly Period, minus the Base Rate for such Monthly Period.

“Finance Charge Account” is defined in Section 5.9(a).

“Finance Charge Collections” means Collections of Finance Charge Receivables.

“Finance Charge Shortfall” is defined in Section 5.7.

“Fixed Allocation Period” means either a Controlled Amortization Period or an Early Amortization Period.

“Group One” means Series 2009-VFN and each other Series specified in the related Indenture Supplement to be included in Group One.

“Investor Charge-Offs” is defined in Section 5.5.

“Investor Default Amount” means, with respect to any Defaulted Account, an amount equal to the product of (a) the Default Amount and (b) the Allocation Percentage on the day such Account became a Defaulted Account.

“Investor Finance Charge Collections” means, for any Monthly Period, an amount equal to the aggregate amount of Finance Charge Collections (including Net Recoveries treated as Finance Charge Collections) retained or deposited in the Finance Charge Account for Series 2009-VFN pursuant to clause 5.1(b)(i) for such Monthly Period.

“Investor Principal Collections” means, for any Monthly Period, an amount equal to the aggregate amount of Principal Collections retained or deposited in the Principal Account for Series 2009-VFN pursuant to clause 5.1(b)(ii) for such Monthly Period.

“Investor Uncovered Dilution Amount” means an amount equal to the product of (x) the Series Allocation Percentage for the related Monthly Period (determined on a weighted average basis, if one or more Reset Dates occur during that Monthly Period), times (y) the aggregate Dilutions occurring during that Monthly Period as to which any deposit is required to be made to the Excess Funding Account pursuant to subsection 3.8(a) of the Transfer and Servicing Agreement but has not been made, provided that, if the Transferor Amount is greater than zero at the time the deposit referred to in clause (y) is required to be made, the Investor Uncovered Dilution Amount for such amount to be deposited shall be deemed to be zero.

“LIBOR” means, for any Distribution Period, an interest rate per annum for each Distribution Period determined by the Indenture Trustee in accordance with the provisions of Section 5.13.

“LIBOR Determination Date” means (i) September 26, 2009 for the period from and including the Closing Date through and including November 15, 2009 and (ii) the second London Business Day prior to the commencement of the second and each subsequent Distribution Period.

“London Business Day” means any day on which dealings in deposits in United States dollars are transacted in the London interbank market.

“Maximum Principal Balance” means the sum of (a) the Class A Maximum Principal Balance, (b) the Class M Maximum Principal Balance, (c) the Class B Maximum Principal Balance and (d) the Class C Maximum Principal Balance.

“Monthly Interest” means, for any Distribution Date, the sum of the Class A Monthly Interest, the Class M Monthly Interest, the Class B Monthly Interest and the Class C Monthly Interest for such Distribution Date.

“Monthly Period” means the period from and including the first day of the calendar month preceding a related Distribution Date to and including the last day of such calendar month; provided that the Monthly Period related to the November 2009 Distribution Date shall mean the period from and including the Closing Date to and including the last day of October 2009.

“Monthly Principal” means, on any Distribution Date, the sum of the Class A Monthly Principal, the Class M Monthly Principal, the Class B Monthly Principal and the Class C Monthly Principal with respect to such date.

“Monthly Principal Reallocation Amount” means, for any Monthly Period, an amount equal to the sum of:

(a) the lesser of (i) the Class A Required Amount and (ii) the greater of (A)(x) the sum of the Class M Principal Balance, the Class B Principal Balance and the Class C Principal Balance minus (y) the sum of (I) the amount of unreimbursed Investor Charge-Offs (after giving effect to Investor Charge-Offs for the related Monthly Period) and (II) unreimbursed Reallocated Principal Collections (as of the previous Distribution Date) and (B) zero; and

(b) the lesser of (i) the Class M Required Amount and (ii) the greater of (A)(x) the sum of the Class B Principal Balance and the Class C Principal Balance minus (y) the sum of (I) the amount of unreimbursed Investor Charge-Offs (after giving effect to Investor Charge-Offs for the related Monthly Period) and (II) unreimbursed Reallocated Principal Collections (as of the previous Distribution Date and as required in clause (a) above for the current Monthly Period) and (B) zero; and

(c) the lesser of (i) the Class B Required Amount and (ii) the greater of (A)(x) the Class C Principal Balance minus (y) the sum of (I) the amount of unreimbursed Investor Charge-Offs (after giving effect to Investor Charge-Offs for the related Monthly Period) and (II) unreimbursed Reallocated Principal Collections (as of the previous Distribution Date and as required in clauses (a) and (b) above for the current Monthly Period) and (B) zero.

“Note Principal Balance” means, as of any Business Day, the sum of (a) the Class A Principal Balance, (b) the Class M Principal Balance, (c) the Class B Principal Balance and (d) the Class C Principal Balance.

“Note Purchase Agreements” means the Class A Note Purchase Agreement, the Class M Note Purchase Agreement, the Class B Note Purchase Agreement and the Class C Note Purchase Agreement.

“Noteholder Servicing Fee” is defined in Section 3.1.

“Optional Amortization Amount” is defined in subsection 4.1(b).

“Optional Amortization Date” is defined in subsection 4.1(b).

“Optional Amortization Notice” is defined in subsection 4.1(b).

“Percentage Allocation” is defined in subsection 5.1(b)(ii)(y).

“Portfolio Yield” means, for any Monthly Period, the annualized percentage equivalent of a fraction, (a) the numerator of which is equal to (i) the Available Finance Charge Collections (excluding any Excess Finance Charge Collections), minus (ii) the Aggregate Investor Default Amount and the Investor Uncovered Dilution Amount for such Monthly Period and (b) the denominator of which is the Weighted Average Collateral Amount during such Monthly Period.

“Principal Account” is defined in subsection 5.9(a).

“Principal Collections” means Collections of Principal Receivables.

“Principal Shortfall” is defined in Section 5.8.

“Quarterly Excess Spread Percentage” means (a) with respect to the November 2009 Distribution Date, the Excess Spread Percentage for such Distribution Date, (b) with respect to the December 2009 Distribution Date, the percentage equivalent of a fraction the numerator of which is the sum of (i) the Excess Spread Percentage for the November 2009 Distribution Date and (ii) the Excess Spread Percentage with respect to the December 2009 Distribution Date and the denominator of which is two, (c) with respect to the January 2010 Distribution Date, the percentage equivalent of a fraction the numerator of which is the sum of (i) the Excess Spread Percentage for the November 2009 Distribution Date (ii) the Excess Spread Percentage with respect to the December 2009 Distribution Date and (iii) the Excess Spread Percentage with respect to the January 2010 Distribution Date and the denominator of which is three and (d) with respect to the February 2010 Distribution Date and each Distribution Date thereafter, the percentage equivalent of a fraction the numerator of which is the sum of the Excess Spread Percentages determined with respect to such Distribution Date and the immediately preceding two Distribution Dates and the denominator of which is three.

“Rating Agency” means, with respect to the Class A Notes, the Class M Notes and the Class B Notes, each of Fitch and DBRS.

“Rating Agency Condition” means, with respect to Series 2009-VFN and any action subject to such condition, (i) if any Class of Series 2009-VFN Notes is rated by a Rating Agency designated for such Class other than Fitch, the notification in writing by each Rating Agency (other than Fitch) to Servicer that such action will not result in the Rating Agency reducing or withdrawing its then existing rating of such Class of Series 2009-VFN Notes, (ii) if Fitch is a Rating Agency for any Class of Series 2009-VFN Notes, 10 days’ prior written notice (or, if 10 days’ advance notice is impracticable, as much advance notice as is practicable) to Fitch delivered electronically to notifications.abs@fitchratings.com and (iii) if there are no Rating Agencies designated for any Class of Series 2009-VFN Notes, the consent of the holders of Series 2009-VFN Notes holding 66 2/3% of the Note Principal Balance of the Series 2009-VFN Notes which are not rated by a Rating Agency.

“Reallocated Principal Collections” means, for any Transfer Date, Investor Principal Collections applied in accordance with Section 5.6 in an amount not to exceed the Monthly Principal Reallocation Amount for the related Monthly Period.

“Reassignment Amount” means, for any Transfer Date, after giving effect to any deposits and distributions otherwise to be made on the related Distribution Date, the sum of (i) the Note Principal Balance on the related Distribution Date, plus (ii) Monthly Interest for the related Distribution Date and any Monthly Interest previously due but not distributed to the Series 2009-VFN Noteholders, plus (iii) the amount of Class M Additional Interest, if any, for the related Distribution Date and any Class M Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (iv) the amount of Class B Additional Interest, if any, for the related Distribution Date and any Class B Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (v) the amount of Class C Additional Interest, if any, for the related Distribution Date and any Class C Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (vi) the amount of Class A Non-Use Fees and Class M Non-Use Fees, if any, for the related Distribution Date and any Class A Non-Use Fees and Class M Non-Use Fees previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (vii) the amount of Class A Additional Amounts and Class M Additional Amounts, if any, for the related Distribution Date and any Class A Additional Amounts and Class M Additional Amounts previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date.

“Record Date” means, for purposes of Series 2009-VFN with respect to any Distribution Date or Optional Amortization Date, the date falling five Business Days prior to such date.

“Reference Banks” means four major banks in the London interbank market selected by the Servicer.

“Refinancing Date” is defined in subsection 4.1(c).

“Related Class A Ownership Group” means, with respect to any Administrative Agent for, or any Purchaser in, a Class M Ownership Group, any Class A Ownership Group that also includes such Administrative Agent or Purchaser.

“Related Class M Ownership Group” means, with respect to any Administrative Agent for, or any Purchaser in, a Class A Ownership Group, any Class M Ownership Group that also includes such Administrative Agent or Purchaser.

“Required Cash Collateral Amount” means on any date of determination, the sum of (i) the product of (x) % times (y) the Note Principal Balance, after any adjustments (including any increase in the Note Principal Balance) to be made on such date of determination plus (ii) the on such date of determination.

“Required Class B Principal Balance” means, as of any date of determination, the product of the Class B Pro Rata Percentage times the Note Principal Balance.

“Required Class C Principal Balance” means, as of any date of determination, the product of the Class C Pro Rata Percentage times the Note Principal Balance.

“Required Class M Principal Balance” means, as of any date of determination, the product of the Class M Pro Rata Percentage times the Note Principal Balance.

“Required Draw Amount” is defined in subsection 5.10(c).

“Required Retained Transferor Percentage” means, for purposes of Series 2009-VFN, %.

“Reset Date” means:

- (a) each Addition Date relating to Supplemental Accounts;
- (b) each Removal Date on which, if any Series of Notes has been paid in full, Principal Receivables equal to the initial Collateral Amount or initial principal balance for that Series are removed from the Issuer;
- (c) each date on which there is an increase in the outstanding balance of any Variable Interest; and
- (d) each date on which a new Series or Class of Notes is issued.

“Revolving Period” means the period from and including the Closing Date to, but not including, the earlier of (a) the day the Controlled Amortization Period commences and (b) the day the Early Amortization Period commences.

“Series 2009-VFN” means the Series of Notes the terms of which are specified in this Indenture Supplement.

“Series 2009-VFN Early Amortization Event” is defined in Section 7.1.

“Series 2009-VFN Note” means a Class A Note, a Class M Note, a Class B Note or a Class C Note.

“Series 2009-VFN Noteholder” means a Class A Noteholder, a Class M Noteholder, a Class B Noteholder or a Class C Noteholder.

“Series Account” means, (a) with respect to Series 2009-VFN, the Finance Charge Account, the Principal Account, the Distribution Account and the Cash Collateral Account, and (b) with respect to any other Series, the “Series Accounts” for such Series as specified in the Indenture and the applicable Indenture Supplement for such Series.

“Series Allocation Percentage” means, with respect to any Monthly Period, the percentage equivalent of a fraction, the numerator of which is the Allocation Percentage for Finance Charge Collections for that Monthly Period and the denominator of which is the sum of the Allocation Percentage for Finance Charge Receivables for all outstanding Series on such date of determination; provided that if one or more Reset Dates occur in a Monthly Period, the Series Allocation Percentages for the portion of the Monthly Period falling on and after each such Reset Date and prior to any subsequent Reset Date will be determined using a denominator which is equal to the sum of the numerators used in determining the Allocation Percentage for Finance Charge Receivables for all outstanding Series as of the close of business on the subject Reset Date.

“Series Servicing Fee Percentage” means 2.0% per annum.

“Series Termination Date” means the earliest to occur of (a) the Distribution Date falling in a Fixed Allocation Period on which the Collateral Amount is paid in full, (b) the termination of the Trust pursuant to the Agreement, (c) the Distribution Date on or closest to the date falling 46 months after the commencement of the Early Amortization Period and (d) the Distribution Date on or closest to the date falling 58 months after the commencement of the Controlled Amortization Period.

“Specified Transferor Amount” means, as of any date of determination, the Minimum Transferor Amount as of such date of determination.

“Target Amount” is defined in clause 5.1(b)(i).

“Transfer” means any sale, transfer, assignment, exchange, participation, pledge, hypothecation, rehypothecation, or other grant of a security interest in or disposition of, a Note.

“Weighted Average Class A Principal Balance” means, as to any Class A Ownership Tranche (or Class A Funding Tranche) for any Distribution Period, the quotient of (a) the summation of the portion of the Class A Principal Balance allocated to that Class A Ownership Tranche (or Class A Funding Tranche) determined as of each day in that Distribution Period, divided by (b) the number of days in that Distribution Period (or, if less, the number of days during that Distribution Period during which that Class A Ownership Tranche or Class A Funding Tranche was outstanding).

“Weighted Average Class M Principal Balance” means, as to any Class M Ownership Tranche (or Class M Funding Tranche) for any Distribution Period, the quotient of (a) the summation of the portion of the Class M Principal Balance allocated to that Class M Ownership Tranche (or Class M Funding Tranche) determined as of each day in that Distribution Period, divided by (b) the number of days in that Distribution Period (or, if less, the number of days during that Distribution Period during which that Class M Ownership Tranche or Class M Funding Tranche was outstanding).

“Weighted Average Collateral Amount” means, for any Monthly Period, the quotient of (a) the summation of the Collateral Amount determined as of each day in that Monthly Period, divided by (b) the number of days in that Monthly Period.

(b) Each capitalized term defined herein shall relate to the Series 2009-VFN Notes and no other Series of Notes issued by the Trust, unless the context otherwise requires. All capitalized terms used herein and not otherwise defined herein have the meanings ascribed to them in Annex A to the Indenture, or, if not defined therein, in the Class Note Purchase Agreements or the Class M Note Purchase Agreement, as the context may require.

(c) The interpretive rules specified in Section 1.2 of the Indenture also apply to this Indenture Supplement. If any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Indenture Supplement shall be controlling.

ARTICLE III.

Noteholder Servicing Fee

Section 3.1 Servicing Compensation. The share of the Servicing Fee allocable to Series 2009-VFN for any Transfer Date (the “Noteholder Servicing Fee”) shall be equal to one-twelfth of the product of (a) the Series Servicing Fee Percentage and (b) the Weighted Average Collateral Amount for the preceding Monthly Period; provided, however, that with respect to the first Transfer Date, the Noteholder Servicing Fee shall instead equal 33/360 of such product. The remainder of the Servicing Fee shall be paid by the holders of the Transferor Interest or the noteholders of other Series (as provided in the related Indenture Supplements), and in no event shall the Trust, the Indenture Trustee or the Series 2009-VFN Noteholders be liable for the share of the Servicing Fee to be paid by the holders of the Transferor Interest or the noteholders of any other Series.

ARTICLE IV.

Variable Funding Mechanics

Section 4.1 Variable Funding Mechanics

(a) Class A Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may notify one or more Class A Administrative Agents that a Class A Incremental Funding will occur, subject to the conditions of the Class A Note Purchase Agreement, with respect to the related Class A Ownership Group(s) on the next or any subsequent Business Day by delivering a Notice of Incremental Funding (as defined in the Class A Note Purchase Agreement) executed by Transferor and Servicer to the Class A Administrative Agent for each such Class A Ownership Group, specifying the amount of such Class A Incremental Funding and the Business Day upon which such Class A Incremental Funding is to occur. The amount of Class A Incremental Funding allocated to each Class A Ownership Group, together with the amount of the Class M Incremental Funding allocated to the Related Class M Ownership Group to be made on the same date, shall be a minimum amount of \$1,000,000 or a higher integral multiple thereof for each Class A Ownership Group and the Related Class M Ownership Group, except that a Class A Incremental Funding may be requested in the entire remaining Class A Purchase Limit of the related Class A Ownership Group. Upon any Class A Incremental Funding, the Class A Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein. For each Class A Incremental Funding, the Class A Principal Balance shall increase in an amount equal to the Class A Incremental Principal Balance. The amount of the Class A Incremental Funding shall be allocated pro rata among Class A Ownership Groups based on the Class A Ownership Group Percentage, as applicable.

(b) Optional Amortization. On any Business Day in the Revolving Period or the Controlled Amortization Period, Transferor may cause Servicer to provide notice to the Indenture Trustee, the Class B Noteholders, the Class C Noteholders, the Class A Administrative Agents for affected Class A Ownership Groups and the Class M Administrative Agents for affected Class M Ownership Groups (an “Optional Amortization Notice”) at least two Business Days prior to any Business Day (the “Optional Amortization Date”) stating its intention to cause a full or partial amortization of the Class A Notes, the Class M Notes, the Class B Notes and the Class C Notes with Available Principal Collections on the Optional Amortization Date, in full or in part, in an amount (the “Optional Amortization Amount”), which shall be allocated among the Class A Notes, the Class M Notes, the Class B Notes and the Class C Notes, based on the Class A Pro Rata Percentage, the Class M Pro Rata Percentage, the Class B Pro Rata Percentage and the Class C Pro Rata Percentage, respectively. The portion of the Optional Amortization Amount allocated to any Class A Ownership Group and the Related Class M Ownership Group shall be in an aggregate amount not less than \$1,000,000 or a higher integral multiple thereof, except that the Optional Amortization Amount allocated to any Class A Ownership Group may equal the entire Principal Balance of the related Class A Note for such Class A Ownership Group and that the Optional Amortization Amount allocated to any Class M Ownership Group may equal the entire Principal Balance of the related Class M Note for such Class M Ownership Group. The Optional Amortization Notice shall state the Optional Amortization Date, the Optional Amortization Amount and the allocation of such Optional Amortization Amount among the various Classes, Class A Ownership Groups and Class M Ownership Groups. The Optional Amortization Amount shall be paid from Shared Principal Collections pursuant to Section 5.8. Allocation of the Optional Amortization Amount among the various outstanding Class A Ownership Groups shall be pro rata based on their respective Class A Ownership Group Percentage, and accrued interest and any Class A Additional Amounts, payable to each affected Class A Ownership Group shall be payable on the first Distribution Date on or after the related Optional Amortization Date. Allocation of the Optional Amortization Amount among the various outstanding Class M Ownership Groups shall be pro rata based on their respective Class M Ownership Group Percentage, and accrued interest and any Class M Additional Amounts, payable to each affected Class M Ownership Group shall be payable on the first Distribution Date on or after the related Optional Amortization Date. On the Business Day prior to each Optional Amortization Date, Servicer shall instruct the Indenture Trustee in writing (which writing shall be substantially in the form of Exhibit B) to withdraw from the Collection Account and deposit into the Distribution Account, to the extent of the available funds held therein as Shared Principal Collections pursuant to Section 5.8, an amount sufficient to pay the Optional Amortization Amount on that Optional Amortization Date, and the Indenture Trustee, acting in accordance with such instructions, shall on such Business Day make such withdrawal and deposit.

(c) Refinanced Optional Amortization. On any Business Day in the Revolving Period or the Controlled Amortization Period, Transferor may, with the consent of each affected Series 2009-VFN Noteholder, cause Servicer to provide notice to the Indenture Trustee and all of the Series 2009-VFN Noteholders at least five Business Days prior to any Business Day (the "Refinancing Date") stating its intention to cause the Series 2009-VFN Notes to be prepaid in full or in part on the Refinancing Date by causing all or a portion of the Collateral Amount to be conveyed to one or more Persons (who may be the Noteholders of a new Series issued substantially contemporaneously with such prepayment) for a cash purchase price in an amount equal to the sum of (i) the Collateral Amount (or the portion thereof that is being conveyed), plus (ii) accrued and unpaid interest on the Collateral Amount (or the portion thereof that is being conveyed) through the Refinancing Date, plus (iii) any accrued and unpaid Class A Non-Use Fees, Class M Non-Use Fees, Class A Additional Amounts and Class M Additional Amounts in respect of the Collateral Amount (or portion thereof that is being conveyed) through the Refinancing Date. In the case of any such conveyance, the purchase price shall be deposited in the Collection Account and shall be distributed to the applicable Series 2009-VFN Noteholders on a pro rata basis in accordance with the Class A Pro Rata Percentage, Class M Pro Rata Percentage, Class B Pro Rata Percentage and Class C Pro Rata Percentage and, with respect to the Class A Notes, based on the Class A Ownership Group Percentage for each Class A Ownership Group and with respect to the Class M Notes, based on the Class A Ownership Group Percentage for each Class M Ownership Group, on the Refinancing Date in accordance with the terms of this Indenture Supplement and the Indenture; provided that after giving effect to such conveyance and application of the purchase price (i) the Class M Principal Balance shall not be less than the Required Class M Principal Balance, (ii) the Class B Principal Balance shall not be less than the Required Class B Principal Balance, and (iii) the Class C Principal Balance shall not be less than the Required Class C Principal Balance.

(d) Class M Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may notify one or more Class M Administrative Agents that a Class M Incremental Funding will occur, subject to the conditions of the Class M Note Purchase Agreement, with respect to the related Class M Ownership Group(s) on the next or any subsequent Business Day by delivering a Notice of Incremental Funding (as defined in the Class M Note Purchase Agreement) executed by Transferor and Servicer to the Class M Administrative Agent for each such Class M Ownership Group, specifying the amount of such Class M Incremental Funding and the Business Day upon which such Class M Incremental Funding is to occur. The amount of Class M Incremental Funding allocated to each Class M Ownership Group, together with the amount of the Class A Incremental Funding allocated to the related Class A Ownership Group to be made on the same date, shall be a minimum amount of \$1,000,000 or a higher integral multiple thereof for each Class M Ownership Group and the Related Class A Ownership Group, except that a Class M Incremental Funding may be requested in the entire remaining Class M Purchase Limit of the Related Class M Ownership Group. Upon any Class M Incremental Funding, the Class M Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein. For each Class M Incremental Funding, the Class M Principal Balance shall increase in an amount equal to the Class M Incremental Principal Balance. The amount of the Class M Incremental Funding shall be allocated pro rata among Class M Ownership Groups based on the Class M Ownership Group Percentage, as applicable.

(e) Class B Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may, to the extent permitted by the applicable Class B Note Purchase Agreement, notify the Class B Noteholders that a Class B Incremental Funding will occur, subject to the conditions, if any, of the applicable Class B Note Purchase Agreements, on any Business Day by delivering a Notice of Class B Incremental Funding (as defined in the applicable Class B Note Purchase Agreement) executed by Transferor and Servicer to the Class B Interest Holder, specifying the amount of such Class B Incremental Funding and the Business Day upon which such Incremental Funding is to occur (which shall fall at least three Business Days after the date of such Notice). Upon any Class B Incremental Funding, the Class B Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein.

(f) Class C Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may, to the extent permitted by the Class C Note Purchase Agreement, notify the Class C Noteholders that a Class C Incremental Funding will occur, subject to the conditions, if any, of the Class C Note Purchase Agreement, on any Business Day by delivering a Notice of Class C Incremental Funding (as defined in the Class C Note Purchase Agreement) executed by Transferor and Servicer to the Class C Noteholder, specifying the amount of such Class C Incremental Funding and the Business Day upon which such Class C Incremental Funding is to occur (which shall fall at least three Business Days after the date of such notice). Upon any Class C Incremental Funding, the Class C Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein.

ARTICLE V.

Rights of Series 2009-VFN Noteholders and Allocation and Application of Collections

Section 5.1 Collections and Allocations

(a) Allocations. Finance Charge Collections, Principal Collections and Defaulted Receivables allocated to Series 2009-VFN pursuant to Article VIII of the Indenture shall be allocated and distributed as set forth in this Article.

(b) Allocations to the Series 2009-VFN Noteholders. The Servicer shall on the Date of Processing, allocate to the Series 2009-VFN Noteholders the following amounts as set forth below:

(i) Allocations of Finance Charge Collections. The Servicer shall allocate to the Series 2009-VFN Noteholders an amount equal to the product of (A) the Allocation Percentage and (B) the aggregate Finance Charge Collections processed on such Date of Processing and shall deposit such amount into the Finance Charge Account, provided that, with respect to each Monthly Period falling in the Revolving Period (and with respect to that portion of each Monthly Period in the Controlled Amortization Period falling on or after the day on which Collections of Principal Receivables equal to the Controlled Amortization Amount have been allocated pursuant to clause 5.1(b)(ii)), so long as the Available Cash Collateral Amount is not less than the Required Cash Collateral Amount on such Date of Processing, Collections of Finance Charge Receivables shall be transferred into the Finance Charge Account only until such time as the aggregate amount so deposited equals the product of (x) 1.5 and (y) the sum (the "Target Amount") of (A) the Monthly Interest for the related Distribution Date, (B) the Class A Non-Use Fee and Class M Non-Use Fee, if any, (C) the Class A Additional Amounts and the Class M Additional Amounts, if any, (D) if WFCB is not the Servicer, the Noteholder Servicing Fee (and if WFCB is the Servicer, then amounts that otherwise would have been transferred into the Finance Charge Account pursuant to this clause (D) shall instead by returned to WFCB as payment of the Noteholder Servicing Fee), (E) any amount required to be deposited in the Cash Collateral Account on the related Transfer Date and (F) the sum of the Investor Default Amounts for the prior Monthly Period and any Investor Uncovered Dilution Amount for the prior Monthly Period; provided further, that, notwithstanding the preceding proviso, if on any Business Day the Servicer determines that the Target Amount for a Monthly Period exceeds the Target Amount for that Monthly Period as previously calculated by Servicer, then (x) Servicer shall (on the same Business Day) inform Transferor of such determination, and (y) within two Business Days of receiving such notice Transferor shall deposit into the Finance Charge Account funds in an amount equal to the amount of Collections of Finance Charge Receivables allocated to the Noteholders for that Monthly Period but not deposited into the Finance Charge Account due to the operation of the preceding proviso (but not in excess of the amount required so that the aggregate amount deposited for the subject Monthly Period equals the Target Amount); and provided, further, if on any Transfer Date the Transferor Amount is less than zero after giving effect to all transfers and deposits on that Transfer Date, Transferor shall, on that Transfer Date, deposit into the Principal Account funds in an amount equal to the amounts of Available Finance Charge Collections that are required to be treated as Available Principal Collections pursuant to clause 5.4(a)(viii) and (ix) but are not available from funds in the Finance Charge Account as a result of the operation of second preceding proviso.

With respect to any Monthly Period when deposits of Collections of Finance Charge Receivables into the Finance Charge Account are limited to deposits up to 1.5 times the Target Amount in accordance with clause (i) above, notwithstanding such limitation and notwithstanding the provisions of Section 8.4(a) of the Indenture: (1) Reallocated Principal Collections for the related Transfer Date shall be calculated as if the full amount of Finance Charge Collections allocated to the Noteholders during that Monthly Period had been deposited in the Finance Charge Account and applied on such Transfer Date in accordance with subsection 5.4(a); and (2) Collections of Finance Charge Receivables released to Transferor pursuant to such Section 5.1(b)(i) shall be deemed, for purposes of all calculations under this Indenture Supplement, to have been retained in the Finance Charge Account and applied to the items specified in subsections 5.4(a) to which such amounts would have been applied (and in the priority in which they would have been applied) had such amounts been available in the Finance Charge Account on such Transfer Date. To avoid doubt, the calculations referred to in the preceding clause (2) include the calculations required by clause (b) of the definition of Collateral Amount and by the definition of Portfolio Yield.

(ii) Allocations of Principal Collections. The Servicer shall allocate to the Series 2009-VFN Noteholders the following amounts as set forth below:

(x) Allocations During the Revolving Period.

(1) During the Revolving Period an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing, shall be allocated to the Series 2009-VFN Noteholders and first, if an Optional Amortization Notice has been given or any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Optional Amortization and as Shared Principal Collections for other Principal Sharing Series on the related Distribution Date, second deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Minimum Transferor Amount and third paid to the holders of the Transferor Interest.

(2) With respect to each Monthly Period falling in the Revolving Period, to the extent that Collections of Principal Receivables allocated to the Series 2009-VFN Noteholders pursuant to this clause 5.1(b)(ii) are paid to Transferor, Transferor shall make an amount equal to the Reallocated Principal Collections for the related Transfer Date available on that Transfer Date for application in accordance with Section 5.6.

(y) Allocations During the Controlled Amortization Period. During the Controlled Amortization Period an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing (the product for any such date is hereinafter referred to as a "Percentage Allocation") shall be allocated to the Series 2009-VFN Noteholders and transferred to the Principal Account until applied as provided herein; provided, however, that if the sum of such Percentage Allocation and all preceding Percentage Allocations with respect to the same Monthly Period exceeds the Controlled Payment Amount during the Controlled Amortization Period for the related Distribution Date, then such excess shall not be treated as a Percentage Allocation and shall be first, if any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Shared Principal Collections to other Principal Sharing Series on the related Distribution Date, second deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Minimum Transferor Amount and third paid to the holders of the Transferor Interest.

(z) Allocations During the Early Amortization Period. During the Early Amortization Period, an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing shall be allocated to the 2009-VFN Noteholders and transferred to the Principal Account until applied as provided herein; provided, however, that after the date on which an amount of such Principal Collections equal to the Note Principal Balance has been deposited into the Principal Account such amount shall be first, if any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Shared Principal Collections to other Principal Sharing Series on the related Distribution Date, second deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Minimum Transferor Amount and third paid to the holders of the Transferor Interest.

(c) During any period when Servicer is permitted by Section 8.4 of the Indenture to make a single monthly deposit to the Collection Account, amounts allocated to the Noteholders pursuant to Sections 5.1(a) and (b) with respect to any Monthly Period need not be deposited into the Collection Account or any Series Account prior to the related Transfer Date, and, when so deposited, (x) may be deposited net of any amounts required to be distributed to Transferor and, if WFCB is Servicer, to Servicer, and (y) shall be deposited into the Finance Charge Account (in the case of Collections of Finance Charge Receivables) and the Principal Account (in the case of Collections of Principal Receivables (not including any Shared Principal Collections allocated to Series 2009-VFN pursuant to Section 8.5 of the Indenture)).

(d) On any date, Servicer may direct the Indenture Trustee to withdraw from the Collection Account or any Series Account any amounts inadvertently deposited in such account that should have not been so deposited.

Section 5.2 Determination of Monthly Interest.

(a) Pursuant to the Class A Note Purchase Agreement, certain Class A Ownership Tranches may from time to time be divided into one or more subdivisions (each, as further specified in the Class A Note Purchase Agreement, a “Class A Funding Tranche”) which will accrue interest on different bases. The amount of monthly interest (“Class A Monthly Interest”) distributable from the Distribution Account with respect to the Class A Notes on any Distribution Date shall be an amount equal to the aggregate amount of interest that accrued over that Distribution Period on each Class A Funding Tranche (plus the aggregate amount of interest that accrued over any prior Distribution Period on any Class A Funding Tranche and has not yet been paid, plus additional interest (to the extent permitted by law) on such overdue amounts at the weighted average interest rate applicable to the related Class A Ownership Tranche during that Distribution Period, and minus any overpayment of interest on the prior Distribution Date as a result of the estimation referred to below), all as determined by Servicer on the related Determination Date. For purposes of such determination, Servicer shall rely upon information provided by the various Class A Administrative Agents pursuant to the Class A Note Purchase Agreement including estimates of the interest to accrue on any Class A Funding Tranche through the related Distribution Date. The interest accrued on any Class A Ownership Tranche (or related Class A Funding Tranche) for any Distribution Period shall be determined using the applicable Class A Tranche Rate and shall equal the product of (x) the Weighted Average Class A Principal Balance for that Class A Ownership Tranche (or Class A Funding Tranche), (y) the applicable Class A Tranche Rate and (z) the applicable Day Count Fraction.

(b) Pursuant to the Class M Note Purchase Agreement, certain Class M Ownership Tranches may from time to time be divided into one or more subdivisions (each, as further specified in the Class M Note Purchase Agreement, a “Class M Funding Tranche”) which will accrue interest on different bases. The amount of monthly interest (“Class M Monthly Interest”) distributable from the Distribution Account with respect to the Class M Notes on any Distribution Date shall be an amount equal to the aggregate amount of interest that accrued over that Distribution Period on each Class M Funding Tranche (plus the aggregate amount of interest that accrued over any prior Distribution Period on any Class M Funding Tranche and has not yet been paid, plus additional interest (to the extent permitted by law) on such overdue amounts at the weighted average interest rate applicable to the related Class M Ownership Tranche during that Distribution Period, and minus any overpayment of interest on the prior Distribution Date as a result of the estimation referred to below), all as determined by Servicer on the related Determination Date. For purposes of such determination, Servicer shall rely upon information provided by the various Class M Administrative Agents pursuant to the Class M Note Purchase Agreement including estimates of the interest to accrue on any Class M Funding Tranche through the related Distribution Date. The interest accrued on any Class M Ownership Tranche (or related Class M Funding Tranche) for any Distribution Period shall be determined using the applicable Class M Tranche Rate and shall equal the product of (x) the Weighted Average Class M Principal Balance for that Class M Ownership Tranche (or Class M Funding Tranche), (y) the applicable Class M Tranche Rate and (z) the applicable Day Count Fraction.

(c) The amount of monthly interest (“Class B Monthly Interest”) distributable from the Distribution Account with respect to the Class B Notes on any Distribution Date shall be an amount equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class B Note Interest Rate in effect with respect to the related Distribution Period and (ii) the average Class B Principal Balance outstanding during the preceding Monthly Period.

On the Determination Date preceding each Distribution Date, the Servicer shall determine the excess, if any (the “Class B Deficiency Amount”), of (x) the aggregate amount accrued pursuant to this subsection 5.2(c) as of the prior Distribution Date over (y) the amount of funds actually transferred from the Distribution Account for payment of such amount. If the Class B Deficiency Amount for any Distribution Date is greater than zero, on each subsequent Distribution Date until such Class B Deficiency Amount is fully paid, an additional amount (“Class B Additional Interest”) equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class B Note Interest Rate in effect with respect to the related Distribution Period and (ii) such Class B Deficiency Amount (or the portion thereof which has not been paid to the Class B Noteholders) shall be payable as provided herein with respect to the Class B Notes. Notwithstanding anything to the contrary herein, Class B Additional Interest shall be payable or distributed to the Class B Noteholders only to the extent permitted by applicable law.

(d) The amount of monthly interest (“Class C Monthly Interest”) distributable from the Distribution Account with respect to the Class C Notes on any Distribution Date shall be an amount equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class C Note Interest Rate in effect with respect to the related Distribution Period and (ii) the average Class C Principal Balance outstanding during the preceding Monthly Period.

On the Determination Date preceding each Distribution Date, the Servicer shall determine the excess, if any (the “Class C Deficiency Amount”), of (x) the aggregate amount accrued pursuant to this subsection 5.2(d) as of the prior Distribution Date over (y) the amount of funds actually transferred from the Distribution Account for payment of such amount. If the Class C Deficiency Amount for any Distribution Date is greater than zero, on each subsequent Distribution Date until such Class C Deficiency Amount is fully paid, an additional amount (“Class C Additional Interest”) equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class C Note Interest Rate in effect with respect to the related Distribution Period and (ii) such Class C Deficiency Amount (or the portion thereof which has not been paid to the Class C Noteholders) shall be payable as provided herein with respect to the Class C Notes. Notwithstanding anything to the contrary herein, Class C Additional Interest shall be payable or distributed to the Class C Noteholders only to the extent permitted by applicable law.

(e) If any distribution of principal is made with respect to any Class A Funding Tranche funded through the issuance of commercial paper notes or accruing interest based on LIBOR other than on (i) the day on which the related funding source, to the extent subject to a contracted maturity date, matures or (ii) a Distribution Date, or if the Class A Principal Balance of any Class A Ownership Tranche is reduced by an Optional Amortization Amount in an amount greater than the amount (if any) specified in the Class A Note Purchase Agreement with respect to that Class A Ownership Tranche without the applicable number (as specified in the Class A Note Purchase Agreement) of Business Days’ prior notice to the affected Series 2009-VFN Noteholder, and in either case (i) the interest paid by the Class A Noteholder holding that Class A Funding Tranche to providers of funds to it to fund that Class A Funding Tranche exceeds (ii) returns earned by that Class A Noteholder through the related Distribution Date (or, if earlier, the maturity date for the related funding source) by redeployment of such funds in highly rated short-term money market instruments, then, upon written notice (which notice shall be signed by an officer of that Class A Noteholder with knowledge of and responsibility for such matters and shall set forth in reasonable detail the basis for requesting the amounts) from such Class A Noteholder to Servicer, such Class A Noteholder shall be entitled to receive additional amounts in the amount of such excess (each, a “Class A Breakage Payment”) on the Distribution Date on or after the date such distribution of principal is made with respect to that Class A Funding Tranche, so long as such written notice is received not later than noon, New York City time, on the Transfer Date related to such Distribution Date. For purposes of calculations under this paragraph, any payment received by a Class A Noteholder later than noon, New York City time, on any day shall be deemed to have been received on the next day.

(f) If any distribution of principal is made with respect to any Class M Funding Tranche funded through the issuance of commercial paper notes or accruing interest based on LIBOR other than on (i) the day on which the related funding source, to the extent subject to a contracted maturity date, matures or (ii) or a Distribution Date, or if the Class M Principal Balance of any Class M Ownership Tranche is reduced by an Optional Amortization Amount in an amount greater than the amount (if any) specified in the Class M Note Purchase Agreement with respect to that Class M Ownership Tranche without the applicable number (as specified in the Class M Note Purchase Agreement) of Business Days' prior notice to the affected Series 2009-VFN Noteholder, and in either case (i) the interest paid by the Class M Noteholder holding that Class M Funding Tranche to providers of funds to it to fund that Class M Funding Tranche exceeds (ii) returns earned by that Class M Noteholder through the related Distribution Date (or, if earlier, the maturity date for the related funding source) by redeployment of such funds in highly rated short-term money market instruments, then, upon written notice (which notice shall be signed by an officer of that Class M Noteholder with knowledge of and responsibility for such matters and shall set forth in reasonable detail the basis for requesting the amounts) from such Class M Noteholder to Servicer, such Class M Noteholder shall be entitled to receive additional amounts in the amount of such excess (each, a "Class M Breakage Payment") on the Distribution Date on or after the date such distribution of principal is made with respect to that Class M Funding Tranche, so long as such written notice is received not later than noon, New York City time, on the Transfer Date related to such Distribution Date. For purposes of calculations under this paragraph, any payment received by a Class M Noteholder later than noon, New York City time, on any day shall be deemed to have been received on the next day.

Section 5.3 Determination of Class A Monthly Principal, Class M Monthly Principal, Class B Monthly Principal and Class C Monthly Principal.

(a) The amount of monthly principal (the "Class A Monthly Principal") to be transferred from the Principal Account with respect to the Class A Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class A Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class A Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6), and (z) the Class A Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6), and (z) the Class A Principal Balance.

(b) The amount of monthly principal (the "Class M Monthly Principal") to be transferred from the Principal Account with respect to the Class M Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class M Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class M Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal), and (z) the Class M Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date over the portion of such Available Principal Collections applied to Class A Monthly Principal on such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of the Class A Monthly Principal), and (z) the Class M Principal Balance.

(c) The amount of monthly principal (the “Class B Monthly Principal”) to be transferred from the Principal Account with respect to the Class B Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class B Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class B Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal and Class M Monthly Principal), and (z) the Class B Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date over the portion of such Available Principal Collections applied to Class A Monthly Principal and Class M Monthly Principal on such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal and Class M Monthly Principal), and (z) the Class B Principal Balance.

(d) The amount of monthly principal (the “Class C Monthly Principal”) to be transferred from the Principal Account with respect to the Class C Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date) shall be equal to the least of (w) the Class C Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class C Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal), and (z) the Class C Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date over the portion of such Available Principal Collections applied to Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal), and (z) the Class C Principal Balance.

Section 5.4 Application of Available Finance Charge Collections and Available Principal Collections. On or before each Transfer Date, the Servicer shall instruct the Indenture Trustee in writing (which writing shall be substantially in the form of Exhibit B) to withdraw and the Indenture Trustee, acting in accordance with such instructions, shall withdraw on such Transfer Date or related Distribution Date, as applicable, to the extent of available funds, the amount required to be withdrawn from the Finance Charge Account, the Principal Account, the Principal Funding Account and the Distribution Account as follows:

(a) On each Transfer Date, an amount equal to the Available Finance Charge Collections with respect to the related Distribution Date will be distributed or deposited in the following priority:

(i) an amount equal to the unpaid Class A Monthly Interest for such Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class A Noteholders in accordance with Section 6.2;

(ii) an amount equal to the unpaid Class A Non-Use Fee, if any, not paid by the Transferor pursuant to the Class A Note Purchase Agreement for the related Distribution Period plus any Class A Non-Use Fee due but not paid to the Class A Noteholders on any prior Distribution Date and an amount equal to the Class A Additional Amounts, if any, for the related Distribution Period plus any Class A Additional Amounts due but not paid to the Class A Noteholders on any prior Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class A Noteholders in accordance with Section 6.2; provided, that the amounts distributed pursuant to this clause 5.4(a)(ii) shall not exceed 0.50% of the Weighted Average Collateral Amount over the Distribution Period;

(iii) an amount equal to the Noteholder Servicing Fee for such Transfer Date, plus the amount of any Noteholder Servicing Fee previously due but not distributed to the Servicer on a prior Transfer Date, shall be distributed to the Servicer;

(iv) an amount equal to Class M Monthly Interest for such Distribution Date, plus any Class M Deficiency Amount, plus the amount of any Class M Additional Interest for such Distribution Date, plus the amount of any Class M Additional Interest previously due but not distributed to Class M Noteholders on a prior Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account;

(v) an amount equal to the unpaid Class M Non-Use Fee, if any, not paid by the Transferor pursuant to the Class M Note Purchase Agreement for the related Distribution Period plus any Class M Non-Use Fee due but not paid to the Class M Noteholders on any prior Distribution Date and an amount equal to the Class M Additional Amounts, if any, for the related Distribution Period plus any Class M Additional Amounts due but not paid to the Class M Noteholders on any prior Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class M Noteholders in accordance with Section 6.2; provided, that the amounts distributed pursuant to this clause 5.4(a)(v) shall not exceed 0.50% of the Weighted Average Collateral Amount over the Distribution Period;

(vi) an amount equal to Class B Monthly Interest for such Distribution Date, plus any Class B Deficiency Amount, plus the amount of any Class B Additional Interest for such Distribution Date, plus the amount of any Class B Additional Interest previously due but not distributed to Class B Noteholders on a prior Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account;

(vii) an amount equal to Class C Monthly Interest for such Distribution Date, plus any Class C Deficiency Amount, plus the amount of any Class C Additional Interest for such Distribution Date, plus the amount of any Class C Additional Interest previously due but not distributed to Class C Noteholders on a prior Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account;

(viii) an amount equal to the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for such Distribution Date shall be treated as a portion of Available Principal Collections for such Distribution Date and, during the Controlled Amortization Period or the Early Amortization Period, deposited into the Principal Account on the related Transfer Date;

(ix) an amount equal to the sum of the aggregate amount of Investor Charge-Offs and the amount of Reallocated Principal Collections which have not been previously reimbursed pursuant to this clause (ix) shall be treated as a portion of Available Principal Collections for such Distribution Date;

(x) an amount equal to the excess, if any, of the Required Cash Collateral Amount over the Available Cash Collateral Amount shall be deposited into the Cash Collateral Account;

(xi) [Reserved];

(xii) any amounts not distributed pursuant to clause 5.4(a)(ii) because of the proviso in such clause shall be withdrawn from the Finance Charge Account and deposited into the Distribution Account for distribution to the Class A Noteholders;

(xiii) any amounts not distributed pursuant to clause 5.4(a)(v) because of the proviso in such clause shall be withdrawn from the Finance Charge Account and deposited into the Distribution Account for distribution to the Class M Noteholders; and

(xiv) the balance, if any, will constitute a portion of Excess Finance Charge Collections for such Distribution Date.

(b) During the Revolving Period, an amount equal to the Available Principal Collections for the related Monthly Period will be treated as Shared Principal Collections and applied in accordance with Section 8.5 of the Indenture.

(c) On each Transfer Date with respect to the Controlled Amortization Period or the Early Amortization Period, an amount equal to the Available Principal Collections for the related Monthly Period shall be distributed or deposited in the following order of priority:

(i) an amount equal to the Class A Monthly Principal for such Transfer Date shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class A Noteholders on the related Distribution Date until the Class A Principal Balance has been paid in full;

(ii) an amount equal to the Class M Monthly Principal for such Transfer Date shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class M Noteholders on the related Distribution Date until the Class M Principal Balance has been paid in full;

(iii) an amount equal to the Class B Monthly Principal for such Transfer Date shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class B Noteholders on the related Distribution Date until the Class B Principal Balance has been paid in full;

(iv) an amount equal to the Class C Monthly Principal, if any, shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class C Noteholders on the related Distribution Date until the Class C Principal Balance has been paid in full; and

(v) the balance shall be treated as Shared Principal Collections and applied in accordance with Section 8.5 of the Indenture.

(d) On each Distribution Date, the Indenture Trustee shall pay in accordance with Section 6.2 to the Class A Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(i), (ii) and (xii) on the preceding Transfer Date, to the Class M Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(iv), (v) and (xiii) on the preceding Transfer Date, to the Class B Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(vi) on the preceding Transfer Date and to the Class C Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clause 5.4(a)(vii).

Section 5.5 Investor Charge-Offs. On each Determination Date, the Servicer shall calculate the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for the related Distribution Date. If, on any Distribution Date, the sum of the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for such Distribution Date exceeds the sum of the amount of Available Finance Charge Collections and the amount withdrawn from the Cash Collateral Account allocated with respect thereto pursuant to 5.10(c) with respect to such Distribution Date, the Collateral Amount will be reduced (but not below zero) by the amount of such excess (such reduction, an "Investor Charge-Off").

Section 5.6 Reallocated Principal Collections. On each Transfer Date, the Servicer shall apply, or shall instruct the Indenture Trustee in writing to apply, Investor Principal Collections with respect to that Transfer Date, to fund any deficiency pursuant to and in the priority set forth in clauses 5.4(a)(i) through (vi) after giving effect to any withdrawal from the Cash Collateral Account to cover such payments. On each Transfer Date, the Collateral Amount shall be reduced by the amount of Reallocated Principal Collections for such Transfer Date.

Section 5.7 Excess Finance Charge Collections. Series 2009-VFN shall be an Excess Allocation Series with respect to Group One only. Subject to Section 8.6 of the Indenture, Excess Finance Charge Collections with respect to the Excess Allocation Series in Group One for any Transfer Date will be allocated to Series 2009-VFN in an amount equal to the product of (x) the aggregate amount of Excess Finance Charge Collections with respect to all the Excess Allocation Series in Group One for such Distribution Date and (y) a fraction, the numerator of which is the Finance Charge Shortfall for Series 2009-VFN for such Distribution Date and the denominator of which is the aggregate amount of Finance Charge Shortfalls for all the Excess Allocation Series in Group One for such Distribution Date. The "Finance Charge Shortfall" for Series 2009-VFN for any Distribution Date will be equal to the excess, if any, of (a) the full amount required to be paid, without duplication, pursuant to clauses 5.4(a)(i) through (xiii) on such Distribution Date over (b) the Available Finance Charge Collections with respect to such Distribution Date (excluding any portion thereof attributable to Excess Finance Charge Collections).

Section 5.8 Shared Principal Collections. Subject to Section 8.5 of the Indenture, Shared Principal Collections allocable to Series 2009-VFN on any Transfer Date shall equal the product of (i) the aggregate amount of Shared Principal Collections with respect to all Principal Sharing Series for such Transfer Date and (ii) a fraction, the numerator of which is the Principal Shortfall for Series 2009-VFN for such Transfer Date and the denominator of which is the aggregate amount of Principal Shortfalls for all the Series which are Principal Sharing Series for such Transfer Date. The "Principal Shortfall" for Series 2009-VFN for any Transfer Date shall equal, the excess, if any, of the sum of any Optional Amortization Amounts, Class A Monthly Principal, Class M Monthly Principal, Class B Monthly Principal and Class C Monthly Principal with respect to such Transfer Date over the amount of Available Principal Collections for such Transfer Date (excluding any portion thereof attributable to Shared Principal Collections).

Section 5.9 Certain Series Accounts.

(a) The Indenture Trustee shall establish and maintain with an Eligible Institution, which may be the Indenture Trustee in the name of the Trust, on behalf of the Trust, for the benefit of the Noteholders, three segregated trust accounts with such Eligible Institution (the "Finance Charge Account", the "Principal Account" and the "Distribution Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2009-VFN Noteholders. The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Finance Charge Account, the Principal Account and the Distribution Account and in all proceeds thereof. The Finance Charge Account, the Principal Account and the Distribution Account shall be under the sole dominion and control of the Indenture Trustee for the benefit of the Series 2009-VFN Noteholders. If at any time the institution holding the Finance Charge Account, the Principal Account and the Distribution Account ceases to be an Eligible Institution, the Transferor shall notify the Indenture Trustee in writing, and the Indenture Trustee upon being notified (or the Servicer on its behalf) shall, within ten (10) Business Days, establish a new Finance Charge Account, a new Principal Account and a new Distribution Account meeting the conditions specified above with an Eligible Institution, and shall transfer any cash or any investments to such new Finance Charge Account, new Principal Account and new Distribution Account. The Indenture Trustee, at the written direction of the Servicer, shall make withdrawals from the Finance Charge Account, the Principal Account and the Distribution Account from time to time, in the amounts and for the purposes set forth in this Indenture Supplement. Indenture Trustee at all times shall maintain accurate records reflecting each transaction in the Finance Charge Account, the Principal Account and the Distribution Account.

(b) Funds on deposit in the Finance Charge Account, the Principal Account and the Distribution Account, from time to time shall be invested and reinvested at the direction of the Servicer by the Indenture Trustee in Eligible Investments that will mature so that such funds will be available for withdrawal on or prior to the following Transfer Date. The Servicer shall give a written standing instruction for such investments, and amounts in such accounts will not be invested if the Servicer fails to give such instructions to the Indenture Trustee.

(c) Section 6.14 of the Indenture shall apply to the Series Accounts.

Section 5.10 Cash Collateral Account.

(a) The Indenture Trustee shall establish and maintain with an Eligible Institution, which may be the Indenture Trustee in the name of the Trust, on behalf of the Trust, for the benefit of the Series 2009-VFN Noteholders, a segregated trust account (the "Cash Collateral Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2009-VFN Noteholders. The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Cash Collateral Account and in all proceeds thereof. The Cash Collateral Account shall be under the sole dominion and control of the Indenture Trustee for the benefit of the Series 2009-VFN Noteholders. If at any time the institution holding the Cash Collateral Account ceases to be an Eligible Institution, the Transferor shall notify the Indenture Trustee, and the Indenture Trustee upon being notified (or the Servicer on its behalf) shall, within ten (10) Business Days, establish a new Cash Collateral Account meeting the conditions specified above with an Eligible Institution, and shall transfer any cash or any investments to such new Cash Collateral Account.

(b) Funds on deposit in the Cash Collateral Account shall be invested at the written direction of the Servicer by the Indenture Trustee in Eligible Investments. The Servicer shall give a written standing instruction for such investments, and amounts in such account will not be invested if the Servicer fails to give such instructions to the Indenture Trustee. Funds on deposit in the Cash Collateral Account on any Transfer Date, after giving effect to any withdrawals from the Cash Collateral Account on such Transfer Date, shall be invested in such investments that will mature so that such funds will be available for withdrawal on or prior to the following Transfer Date.

On each Transfer Date, all interest and earnings (net of losses and investment expenses) accrued since the preceding Transfer Date on funds on deposit in the Cash Collateral Account shall be retained in the Cash Collateral Account (to the extent that the Available Cash Collateral Account Amount is less than the Required Cash Collateral Account Amount) and the balance, if any, shall be deposited into the Finance Charge Account and included in Available Finance Charge Collections for such Transfer Date. For purposes of determining the availability of funds or the balance in the Cash Collateral Account for any reason under this Indenture Supplement, except as otherwise provided in the preceding sentence, interest and earnings on such funds shall be deemed not to be available or on deposit.

(c) On each Determination Date, Servicer shall calculate the amount (the “Required Draw Amount”) by which the sum of the amounts required to be distributed pursuant to clauses 5.4(a)(i) through (viii) with respect to the related Transfer Date exceeds the amount of Available Finance Charge Collections with respect to the related Monthly Period. If the Required Draw Amount for any Transfer Date is greater than zero, Servicer shall give written notice to the Indenture Trustee of such positive Required Draw Amount on the related Determination Date. On the related Transfer Date, the Required Draw Amount, if any, up to the Available Cash Collateral Amount, the Servicer shall direct the Indenture Trustee in writing to withdraw from the Cash Collateral Account and distributed to fund any deficiency pursuant to clauses 5.4(a)(i) through (viii) (in the order of priority set forth in subsection 5.4(a)).

(d) On the Amendment Date, the Indenture Trustee shall withdraw an amount equal to \$17,698,103.81 from the Cash Collateral Account and shall distribute such amount to the Transferor. If, after giving effect to all deposits to and withdrawals from the Cash Collateral Account with respect to any Transfer Date, the amount on deposit in the Cash Collateral Account exceeds the Required Cash Collateral Amount, the Indenture Trustee acting in accordance with the instructions of the Servicer, shall withdraw an amount equal to such excess from the Cash Collateral Account and distribute such amounts remaining after application pursuant to subsection 5.10(c) to the Transferor.

Section 5.11 [Reserved].

Section 5.12 Investment Instructions. Any investment instructions required to be given to the Indenture Trustee pursuant to the terms hereof must be given in the form of a written standing instruction to the Indenture Trustee no later than 11:00 a.m., New York City time, on the date such investment is to be made. In the event the Indenture Trustee receives such investment instruction later than such time, the Indenture Trustee may, but shall have no obligation to, make such investment. In the event the Indenture Trustee is unable to make an investment required in an investment instruction received by the Indenture Trustee after 11:00 a.m., New York City time, on such day, such investment shall be made by the Indenture Trustee on the next succeeding Business Day. In no event shall the Indenture Trustee be liable for any investment not made pursuant to investment instructions received after 11:00 a.m., New York City time, on the day such investment is requested to be made. If investment instructions are not given with respect to funds in any Accounts, such funds shall remain uninvested until instructions are delivered to the Indenture Trustee in accordance with the terms hereof.

Section 5.13 Determination of LIBOR.

(a) On each LIBOR Determination Date in respect of a Distribution Period, the Indenture Trustee shall determine LIBOR on the basis of the rate for deposits in United States dollars for a period of the Designated Maturity which appears on the Designated LIBOR Page as of 11:00 a.m., London time, on such date. If such rate does not appear on the Designated LIBOR Page, the rate for that Distribution Period Determination Date shall be determined on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on that day to prime banks in the London interbank market for a period of the Designated Maturity. The Indenture Trustee shall request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two (2) such quotations are provided, the rate for that Distribution Period shall be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the rate for that Distribution Period will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Servicer, at approximately 11:00 a.m., New York City time, on that day for loans in United States dollars to leading European banks for a period of the Designated Maturity. LIBOR for the first Distribution Period will be determined by straight-line interpolation, based on the actual number of days in such Distribution Period from the date of the initial Class A Incremental Funding to but excluding November 16, 2009, between two rates determined in accordance with the preceding paragraph, one of which will be determined for a maturity of one month and one of which will be determined for a maturity of two months.

(b) LIBOR that may be applicable to the then current and the immediately preceding Distribution Periods may be obtained by telephoning the Indenture Trustee at its corporate trust office at (800) 934-6802 or such other telephone number as shall be designated by the Indenture Trustee for such purpose by prior written notice by the Indenture Trustee to each Series 2009-VFN Noteholder from time to time.

(c) On each LIBOR Determination Date, the Indenture Trustee shall send to the Servicer by facsimile transmission or electronic mail, notification of LIBOR for the following Distribution Period.

ARTICLE VI.

Delivery of Series 2009-VFN Notes; Distributions; Reports to Series 2009-VFN Noteholders

Section 6.1 Delivery and Payment for the Series 2009-VFN Notes.

The Issuer shall execute and issue, and the Indenture Trustee shall authenticate, the Series 2009-VFN Notes in accordance with Section 2.3 of the Indenture. The Indenture Trustee shall deliver the Series 2009-VFN Notes to or upon the written order of the Trust when so authenticated.

Section 6.2 Distributions.

(a) On each Distribution Date, the Indenture Trustee shall distribute to each Class A Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class A Noteholder's portion (determined in accordance with Article V) of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class A Noteholders pursuant to this Indenture Supplement.

(b) On each Distribution Date, the Indenture Trustee shall distribute to each Class M Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class M Noteholder's portion (determined in accordance with Article V) of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class M Noteholders pursuant to this Indenture Supplement.

(c) On each Distribution Date, the Indenture Trustee shall distribute to each Class B Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class B Noteholder's pro rata share of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class B Noteholders pursuant to this Indenture Supplement.

(d) On each Distribution Date, the Indenture Trustee shall distribute to each Class C Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class C Noteholder's pro rata share of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class C Noteholders pursuant to this Indenture Supplement.

(e) On each Distribution Date, if a shortfall in the amount of Available Finance Charge Collections available for distribution in accordance any payment priority in clauses 5.4(a)(i), (ii) and (xii) exists, the Available Finance Charge Collections for such payment priority shall be allocated (a) ratably to each Class A Ownership Group based on its respective Class A Ownership Group Percentage and (b) any Available Finance Charge Collections allocated pursuant to clause (a) to any Class A Ownership Group in excess of the amount owed to such Class A Ownership Group for the related payment priority shall be reallocated to each Class A Ownership Group that has a remaining shortfall in the Available Finance Charge Collections allocated to it pursuant to clause (a) in order to cover the amount owed to such Class A Ownership Group for the related payment priority, which reallocation shall be made ratably in accordance with the portion of the Note Principal Balances of all remaining Class A Ownership Groups represented by the Note Principal Balance of each such remaining Class A Ownership Group.

(f) On each Distribution Date, if a shortfall in the amount of Available Finance Charge Collections available for distribution in accordance any payment priority in clauses 5.4(a)(iv), (v) and (xiii) exists, the Available Finance Charge Collections for such payment priority shall be allocated (a) ratably to each Class M Ownership Group based on its respective Class M Ownership Group Percentage and (b) any Available Finance Charge Collections allocated pursuant to clause (a) to any Class M Ownership Group in excess of the amount owed to such Class M Ownership Group for the related payment priority shall be reallocated to each Class M Ownership Group that has a remaining shortfall in the Available Finance Charge Collections allocated to it pursuant to clause (a) in order to cover the amount owed to such Class M Ownership Group for the related payment priority, which reallocation shall be made ratably in accordance with the portion of the Note Principal Balances of all remaining Class M Ownership Groups represented by the Note Principal Balance of each such remaining Class M Ownership Group.

(g) The distributions to be made pursuant to this Section 6.2 are subject to the provisions of Sections 2.6, 6.1 and 7.1 of the Transfer and Servicing Agreement, Section 11.2 of the Indenture and Section 7.1 of this Indenture Supplement.

(h) All payments set forth herein shall be made by wire transfer of immediately available funds, provided that the Paying Agent, not less than five Business Days prior to the Record Date relating to the first distribution to such Series 2009-VFN Noteholder, has been furnished with appropriate wiring instructions in writing.

Section 6.3 Reports and Statements to Series 2009-VFN Noteholders.

(a) On each Distribution Date, the Indenture Trustee shall make available to each Series 2009-VFN Noteholder via its website (www.usbank.com/abs) a statement substantially in the form of Exhibit C prepared by the Servicer.

(b) Not later than the second Business Day preceding each Distribution Date, the Servicer shall deliver to the Owner Trustee and the Indenture Trustee (i) a statement substantially in the form of Exhibit B prepared by the Servicer and (ii) a certificate of an Authorized Officer substantially in the form of Exhibit D; provided that the Servicer may amend the form of Exhibit B from time to time, with the prior written consent of the Indenture Trustee.

(c) A copy of each statement or certificate provided pursuant to paragraph (a) or (b) may be obtained by any Series 2009-VFN Noteholder by a request in writing to the Servicer.

(d) On or before January 31 of each calendar year, beginning with January 31, 2010, the Indenture Trustee shall furnish or cause to be furnished to each Person who at any time during the preceding calendar year was a Series 2009-VFN Noteholder, a statement prepared by the Servicer containing the information which is required to be contained in the statement to Series 2009-VFN Noteholders, as set forth in paragraph (a) above, aggregated for such calendar year or the applicable portion thereof during which such Person was a Series 2009-VFN Noteholder, together with other information as is required to be provided by an issuer of indebtedness under the Code.

ARTICLE VII.

Series 2009-VFN Early Amortization Events

Section 7.1 Series 2009-VFN Early Amortization Events. If any one of the following events shall occur with respect to the Series 2009-VFN Notes:

(a) failure on the part of Transferor or the Issuer (i) to make any payment or deposit required to be made by it by the terms of the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Class M Note Purchase Agreement, the Indenture or this Indenture Supplement on or before the date occurring five (5) Business Days after the date such payment or deposit is required to be made therein or herein or (ii) duly to observe or perform in any material respect any other of its covenants or agreements set forth in the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Class M Note Purchase Agreement, the Indenture or this Indenture Supplement, which failure has a material adverse effect on the Series 2009-VFN Noteholders and which continues unremedied for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Indenture Trustee, or to the Transferor and the Indenture Trustee by any Holder of the Series 2009-VFN Notes;

(b) any representation or warranty made by Transferor or the Issuer, in the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Class M Note Purchase Agreement, the Indenture or the Indenture Supplement or any information contained in a computer file or microfiche list required to be delivered by it pursuant to Section 2.1 or subsection 2.6(c) of the Transfer and Servicing Agreement shall prove to have been incorrect in any material respect when made or when delivered, which continues to be incorrect in any material respect for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Indenture Trustee, or to the Transferor and the Indenture Trustee by any Holder of the Series 2009-VFN Notes and as a result of which the interests of the Series 2009-VFN Noteholders are materially and adversely affected for such period; provided, however, that a Series 2009-VFN Early Amortization Event pursuant to this subsection 7.1(b) shall not be deemed to have occurred hereunder if the Transferor has accepted reassignment of the related Receivable, or all of such Receivables, if applicable, during such period in accordance with the provisions of the Transfer and Servicing Agreement;

(c) as of any date of determination, the Quarterly Excess Spread Percentage is less than 2%;

(d) a failure by Transferor to convey Receivables in Additional Accounts or Participations to the Receivables Trust within five (5) Business Days after the day on which it is required to convey such Receivables pursuant to subsection 2.6(b) of the Transfer and Servicing Agreement, provided that such failure shall not give rise to an Early Amortization Event if, prior to the date on which such conveyance was required to be completed, Transferor causes a reduction in the principal balance of any Variable Interest to occur, so that, after giving effect to that reduction (i) the Transferor Amount is not less than the Minimum Transferor Amount and (ii) the sum of the aggregate amount of Principal Receivables plus amounts on deposit in the Excess Funding Account is not less than the Required Principal Balance;

(e) any Servicer Default shall occur which would have a material adverse effect on the Series 2009-VFN Holders (which determination shall be made without reference to whether any funds are available under the Cash Collateral Account);

(f) the Class A Note Principal Balance shall not be paid in full on the Class A Scheduled Final Payment Date;

(g) the Class M Note Principal Balance shall not be paid in full on the Class M Scheduled Final Payment Date;

(h) at any time that (A) the _____ is equal to zero or (B) the _____ has been greater than zero for three or more consecutive Monthly Periods immediately following the Monthly Period in which a _____ occurs, the Available Cash Collateral Amount shall be less than the Required Cash Collateral Amount;

(i) at any time the _____ is greater than zero, the Available Cash Collateral Amount shall be less than the greater of (x) the product of (1) the Required Cash Collateral Amount and (2) 75% and (y) an amount equal to (1) the Required Cash Collateral Amount minus (2) the _____ ;

(j) a Change in Control has occurred;

(k) as on any Determination Date:

(i) the percentage equivalent of a fraction (A) the numerator of which is the sum of (1) the aggregate Principal Receivables outstanding that have remained unpaid more than 60 days after their contractual due date as of the end of the related Monthly Period plus (2) the aggregate of the Default Amounts for all Accounts that became Defaulted Accounts during the related Monthly Period and (B) the denominator of which is the total Principal Receivables as of the end of the related Monthly Period is greater than 8.0%;

(ii) the average of the dilution ratio for that Determination Date and the preceding two Determination Dates is greater than 6.0% for any Determination Date, where the “dilution ratio” for any Determination Date equals the percentage equivalent of a fraction (A) the numerator of which is the aggregate amount of Dilution for the prior Monthly Period (B) the denominator of which is the total Principal Receivables as of the last day of the Monthly Period immediately prior to the Monthly Period related to such Determination Date;

(iii) the average of the default ratio for that Determination Date and the preceding two Determination Dates is greater than 1.35%, where the “default ratio” for any Determination Date equals the percentage equivalent of a fraction (A) the numerator of which is the aggregate of the Default Amounts for all Accounts that became Defaulted Accounts during the related Monthly Period and (B) the denominator of which is the total Principal Receivables as of the end of the related Monthly Period; and

(iv) the percentage equivalent of a fraction (A) the numerator of which is the aggregate Collections received during the related Monthly Period and (B) the denominator of which is equal to the total Principal Receivables held by the Trust at the close of business for the Monthly Period immediately prior to such related Monthly Period shall be less than 8.0%.

(l) the Pension Benefit Guaranty Corporation shall file notice of a lien pursuant to Section 4068 of the Employee Retirement Income Security Act of 1974, with regard to any of the assets of WFCB, which lien shall secure a liability in excess of \$10,000,000 and shall not have been released within 40 days; or

(m) a default shall have occurred and be continuing under any instrument or agreement evidencing or securing indebtedness for borrowed money of WFCB in excess of \$10,000,000 which default (i) is a default in payment of any principal or interest on such indebtedness when due or within any applicable grace period or (ii) shall have resulted in acceleration of the maturity of such indebtedness; or

(n) without limiting the foregoing, the occurrence of an Event of Default with respect to Series 2009-VFN and acceleration of the maturity of the Series 2009-VFN Notes pursuant to Section 5.3 of the Indenture;

then, in the case of any event described in subsections 7.1(a), (b), (e), (l) or (m) of this Indenture Supplement, after the applicable grace period set forth in such Sections, Holders of Series 2009-VFN Notes evidencing undivided interests aggregating more than 50% of the Collateral Amount of this Series 2009-VFN by notice then given in writing to Transferor and Servicer (and to the Indenture Trustee if given by the Holders) may, and the Indenture Trustee at the direction of such Holders shall, declare that an early amortization event (a “Series 2009-VFN Early Amortization Event”) has occurred as of the date of such notice, and in the case of any event described in subsections 7.1(c), (d), (f), (g), (h), (i), (j), (k) or (n) of this Indenture Supplement, a Series 2009-VFN Early Amortization Event shall occur without any notice or other action on the part of Indenture Trustee or the Series 2009-VFN Noteholders immediately upon the occurrence of such event.

In addition to the other consequences of a Series 2009-VFN Early Amortization Event specified herein, from and after the occurrence of any Series 2009-VFN Early Amortization Event (until the same shall have been waived by all of the Series 2009-VFN Noteholders), with respect to any Account included in the Identified Portfolio, Transferor shall no longer permit or require Merchant Adjustment Payments or In-Store Payments to be netted against amounts owed to Transferor by the applicable Merchant but shall instead exercise its rights to require each Merchant to transfer to Servicer, not later than the third Business Day following receipt by such Merchant of any In-Store Payments or the occurrence of any event giving rise to Merchant Adjustment Payments, an amount equal to the sum of such In-Store Payments and Merchant Adjustment Payments. In addition, if any bankruptcy or other insolvency proceeding has been commenced against a Merchant, Servicer shall require that Merchant to (i) stop accepting In-Store Payments and (ii) inform Obligor who wish to make In-Store Payments that payment should instead be sent to Servicer, provided that Servicer shall not be required to take such action if (x) Servicer or Trustee has been provided a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and (y) each of the Series 2009-VFN Noteholders consents to such arrangement.

Redemption of Series 2009-VFN Notes; Series TerminationSection 8.1 Optional Redemption of Series 2009-VFN Notes; Final Distributions.

(a) On any Business Day occurring on or after the date on which the outstanding principal balance of the Series 2009-VFN Notes is reduced to 10% or less of the greatest ever Note Principal Balance, the Servicer shall have the option to redeem the Series 2009-VFN Notes, at a purchase price equal to (i) if such day is a Distribution Date, the Reassignment Amount for such Distribution Date or (ii) if such day is not a Distribution Date, the Reassignment Amount for the Distribution Date following such day.

(b) Servicer shall give the Indenture Trustee at least thirty (30) days prior written notice of the date on which Servicer intends to exercise such optional redemption. Not later than 12:00 noon, New York City time, on such day Servicer shall deposit into the Collection Account in immediately available funds the excess of the Reassignment Amount over the amount, if any, on deposit in the Principal Account. Such redemption option is subject to payment in full of the Reassignment Amount. Following such deposit into the Collection Account in accordance with the foregoing, the Collateral Amount for Series 2009-VFN shall be reduced to zero, and the Series 2009-VFN Noteholders shall have no further security interest in the Receivables. The Reassignment Amount shall be distributed as set forth in subsection 8.1(d).

(c) (i) The amount to be paid by the Transferor with respect to Series 2009-VFN in connection with a reassignment of Receivables to the Transferor pursuant to subsection 2.4(e) of the Transfer and Servicing Agreement shall equal the Reassignment Amount for the first Distribution Date following the Monthly Period in which the reassignment obligation arises under the Transfer and Servicing Agreement.

(ii) The amount to be paid by the Transferor with respect to Series 2009-VFN in connection with a repurchase of the Notes pursuant to Section 7.1 of the Transfer and Servicing Agreement shall equal the Reassignment Amount for the Distribution Date of such repurchase.

(d) With respect to (a) the Reassignment Amount deposited into the Distribution Account pursuant to Section 8.1 or (b) the proceeds of any sale of Receivables pursuant to clause 5.5(a)(iii) of the Indenture with respect to Series 2009-VFN, the Indenture Trustee shall, in accordance with the written direction of the Servicer, not later than 12:00 noon, New York City time, on the related Distribution Date, make distributions of the following amounts (in the priority set forth below and, in each case, after giving effect to any deposits and distributions otherwise to be made on such date) in immediately available funds: (i) (x) the Class A Principal Balance on such Distribution Date will be distributed to the Class A Noteholders and (y) an amount equal to the sum of (A) Class A Monthly Interest for such Distribution Date, (B) any Class A Monthly Interest previously due but not distributed to the Class A Noteholders on any prior Distribution Date, will be distributed to the Class A Noteholders, (C) Class A Non-Use Fees, if any, due and payable to the Class A Noteholders on such Distribution Date or any prior Distribution Date and (D) Class A Additional Amounts, if any, due and payable on such Distribution Date or any prior Distribution Date will be distributed to the Class A Noteholders, (ii) (x) the Class M Principal Balance on such Distribution Date will be distributed to the Class M Noteholders and (y) an amount equal to the sum of (A) Class M Monthly Interest for such Distribution Date, (B) Class M Non-Use Fees, if any, due and payable to the Class M Noteholders on such Distribution Date or any prior Distribution Date and (C) Class M Additional Amounts, if any, due and payable on such Distribution Date or any prior Distribution Date will be distributed to the Class M Noteholders, (iii) (x) the Class B Principal Balance on such Distribution Date will be distributed to the Class B Noteholders and (y) an amount equal to the sum of (A) Class B Monthly Interest for such Distribution Date, (B) any Class B Deficiency Amount for such Distribution Date and (C) the amount of Class B Additional Interest, if any, for such Distribution Date and any Class B Additional Interest previously due but not distributed to the Class B Noteholders on any prior Distribution Date, will be distributed to the Class B Noteholders on such Distribution Date, (iv) (x) the Class C Principal Balance on such Distribution Date will be distributed to the Class C Noteholders and (y) an amount equal to the sum of (A) Class C Monthly Interest for such Distribution Date, (B) any Class C Deficiency Amount for such Distribution Date and (C) the amount of Class C Additional Interest, if any, for such Distribution Date and any Class C Additional Interest previously due but not distributed to the Class C Noteholders on any prior Distribution Date, will be distributed to the Class C Noteholders, and (v) any excess shall be released to the Issuer.

Section 8.2 Series Termination. The right of the Series 2009-VFN Noteholders to receive payments from the Trust will terminate on the first Business Day following the Series Termination Date.

ARTICLE IX.

Miscellaneous Provisions

Section 9.1 Ratification of Indenture; Amendments. As supplemented by this Indenture Supplement, the Indenture is in all respects ratified and confirmed and the Indenture as so supplemented by this Indenture Supplement shall be read, taken and construed as one and the same instrument. This Indenture Supplement may be amended only by a Supplemental Indenture entered in accordance with the terms of Section 10.1 or 10.2 of the Indenture. For purposes of the application of Section 10.2 to any amendment of this Indenture Supplement, the Series 2009-VFN Noteholders shall be the only Noteholders whose vote shall be required.

Section 9.2 Counterparts. This Indenture Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

Section 9.3 Notices. Any required notice shall be made to the addresses specified in the applicable Note Purchase Agreement with respect to the Series 2009-VFN Noteholders.

Section 9.4 Form of Delivery of the Series 2009-VFN Notes. The Class A Notes, the Class M Notes, the Class B Notes and the Class C Notes shall be Definitive Notes and initially shall be registered in the Note Register in the name of the initial purchasers of such Notes identified in the Note Purchase Agreements.

Section 9.5 GOVERNING LAW. THIS INDENTURE SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 9.6 Limitation of Liability. Notwithstanding any other provision herein or elsewhere, this Agreement has been executed and delivered by BNY Mellon Trust of Delaware, not in its individual capacity, but solely in its capacity as Owner Trustee of the Trust. Nothing herein contained shall be construed as creating any liability on BNY Mellon Trust of Delaware, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and in no event shall BNY Mellon Trust of Delaware in its individual capacity have any liability in respect of the representations, warranties, or obligations of the Trust hereunder or under any other document, as to all of which recourse shall be had solely to the assets of the Trust, and for all purposes of this Agreement and each other document, the Owner Trustee (as such or in its individual capacity) shall be subject to, and entitled to the benefits of, the terms and provisions of the Trust Agreement.

Section 9.7 Rights of the Indenture Trustee. The Indenture Trustee shall have herein the same rights, protections, indemnities and immunities as specified in the Indenture.

Section 9.8 Additional Provisions. Notwithstanding anything to the contrary in any Transaction Document, until the Series Termination Date:

(a) the Indenture Trustee shall not agree to any extension of the 60 day periods referred to in Section 2.4 or 3.3 of the Transfer and Servicing Agreement;

(b) if the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to Gardner White as of the end of any related Monthly Period and (B) the denominator of which is the aggregate total Principal Receivables as of the end of such related Monthly Period (the "Gardner White Percentage") equals or exceeds 16.0%, the Transferor shall suspend the addition of Automatic Additional Accounts relating to the Gardner White program until such time as the Gardner White Percentage is less than 16.0%;

(c) if the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to any one Merchant (other than Blair Corporation, Gardner White, Home Shopping Network or any Merchant affiliated with any of the foregoing) as of the end of any related Monthly Period and (B) the denominator of which is the aggregate total Principal Receivables as of the end of such related Monthly Period exceeds 10.0%, the Transferor shall suspend the addition of the Automatic Additional Accounts relating to such Merchant program until such time as such percentage is less than 10.0%;

(d) if the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to Home Shopping Network as of the end of the related Monthly Period and (B) the denominator of which is the aggregate total Principal Receivables as of the end of such related Monthly Period exceeds 65.0%, the Transferor shall suspend the addition of the Automatic Additional Accounts relating to Home Shopping Network until such time as such percentage is less than 65.0%;

(e) if the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to Blair Corporation as of the end of the related Monthly Period and (B) the denominator of which is the aggregate total Principal Receivables as of the end of such related Monthly Period exceeds 45.0%, the Transferor shall suspend the addition of the Automatic Additional Accounts relating to Home Shopping Network until such time as such percentage is less than 45.0%; and

(f) without the consent of each Class A Noteholder, Class M Noteholder and Class B Noteholder (which consent shall not be unreasonably withheld or delayed), Transferor shall not (i) engage in any transaction described in Section 4.2 of the Transfer and Servicing Agreement, (ii) designate additional or substitute Transferors or Credit Card Originators as permitted by Section 2.9 or 2.10 of the Transfer and Servicing Agreement or (iii) increase the percentage of Principal Receivables referred to in the proviso to clause (f) of the definition of “Eligible Account”.

Section 9.9 No Petition. The Issuer and the Indenture Trustee, by entering into this Indenture Supplement, and each Series 2009-VFN Noteholder, by accepting a Series 2009-VFN Note, hereby covenant and agree that they will not at any time institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Series 2009-VFN Noteholders, the Indenture or this Indenture Supplement; provided, however, that nothing herein shall prohibit the Indenture Trustee from filing proofs of claim or otherwise participating in such proceedings instituted by any other person. The provisions of this Section 9.8 shall survive the termination of this Indenture Supplement.

Section 9.10 Additional Requirements for Registration of and Limitations on Transfer and Exchange of Notes. All Transfers will be subject to the transfer restrictions set forth on the Notes.

No Transfer (or purported Transfer) of a Class B Note or Class C Note (or economic interest therein) shall be made by WFCB, the Transferor or any person which is considered the same person as WFCB or the Transferor for U.S. Federal income tax purposes (except to a person which is considered the same person as WFCB for such purposes) and any such Transfer (or purported Transfer) of such Notes shall be void ab initio unless an Opinion of Counsel is first delivered to the Indenture Trustee to the effect that such Notes will constitute debt for U.S. federal income tax purposes.

Section 9.11 Amendments to the Indenture. The phrase “including all Initial Accounts and all Additional Accounts” shall be added to the end of the first sentence in the definition of “Account” contained in Annex A to the Indenture. Unless the Class A Administrative Agents and Class B Administrative Agents shall otherwise consent, no commercial account shall be an Eligible Account and the definition of “Eligible Account” in Annex A to the Indenture shall be modified by adding the following words at the end of clause (a) of such definition: “and is not a commercial account”.

Section 9.12 Waiver. The Issuer, the Indenture Trustee and the Servicer waive the requirement in Section 2.6(a) of the Transfer and Servicing Agreement of ten days' prior written notice of the Restart Date for the Gardner White Furniture Co. Inc. program and waive the requirements in Section 2.6(e) of ten Business Days' notice of the designation of Supplemental Accounts and designation of Approved Portfolio contemplated by the Assignment No. 2 of Receivables in Supplemental Accounts and Designation of Approved Portfolios, dated as of June 4, 2010, between WFCB, the Transferor and the Issuer.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have caused this Indenture Supplement to be duly executed and delivered by their respective duly authorized officers on the day and year first above written.

WORLD FINANCIAL CAPITAL MASTER NOTE
TRUST, as Issuer

By: BNY Mellon Trust of Delaware, not in its
individual capacity, but solely as Owner Trustee

By: /s/ Kristine K. Gullo

Name: Kristine K. Gullo

Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as
Indenture Trustee

By: /s/ Michelle Moeller

Name: Michelle Moeller

Title: Vice President

Acknowledged and Accepted:

WORLD FINANCIAL CAPITAL BANK,
as Servicer

By: /s/ Marvin Corne

Name: Marvin Corne

Title: Chief Executive Officer and President

WORLD FINANCIAL CAPITAL CREDIT COMPANY, LLC
as Transferor

By: /s/ Ronald C. Reed

Name: Ronald C. Reed

Title: Vice President and Treasurer

**AMENDMENT NO. 1 TO
RECEIVABLES PURCHASE AGREEMENT**

THIS AMENDMENT NO. 1 TO RECEIVABLES PURCHASE AGREEMENT, dated as of June 4, 2010 (this "Amendment"), is between World Financial Capital Bank, a Utah industrial bank, as seller (the "RPA Seller"), and World Financial Capital Credit Company, LLC, a Delaware limited liability company, as purchaser (the "Purchaser").

BACKGROUND

WHEREAS, the RPA Seller and the Purchaser are parties to a receivables purchase agreement, dated as of September 29, 2008 (as the same may be amended, modified or supplemented from time to time, the "Receivables Purchase Agreement"), between the RPA Seller and the Purchaser;

WHEREAS, the parties hereto desire to amend the Receivables Purchase Agreement as set forth herein; and

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Definitions. Capitalized terms defined in the Receivables Purchase Agreement and used but not otherwise defined herein have the meanings given to them in the Receivables Purchase Agreement.

SECTION 2. Amendments.

(a) Section 2.1(d) of the Receivables Purchase Agreement is hereby amended by inserting the words "to the extent consistent with GAAP", after the words "for accounting purposes" where they appear in such section thereof.

(b) Section 5.1(g) of the Receivables Purchase Agreement is hereby amended by inserting the parenthetical "(but for accounting purposes only to the extent such treatment would be consistent with GAAP)", after the words "for all purposes" where they appear in such section thereof.

SECTION 3. Representations and Warranties. In order to induce the parties hereto to enter into this Amendment, each of the parties hereto represents and warrants unto the other parties hereto as set forth in this Section 3:

(a) Due Authorization, Non Contravention, etc. The execution, delivery and performance by such party of the Amendment are within its powers, have been duly authorized by all necessary action, and do not (i) contravene its organizational documents; or (ii) contravene any contractual restriction, law or governmental regulation or court decree or order binding on or affecting it; and

*Amendment No. 1 to
Receivables Purchase Agreement*

(b) Validity, etc. This Amendment constitutes the legal, valid and binding obligation of such party enforceable against such party in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights and general equitable principles.

SECTION 4. Binding Effect; Ratification.

(a) This Amendment shall become effective, as of the date first set forth above, when counterparts hereof shall have been executed and delivered by the parties hereto, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

(b) The Receivables Purchase Agreement, as amended hereby, remains in full force and effect. Any reference to the Receivables Purchase Agreement from and after the date hereof shall be deemed to refer to the Receivables Purchase Agreement as amended hereby, unless otherwise expressly stated.

(c) Except as expressly amended hereby, the Receivables Purchase Agreement shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto.

SECTION 5. Miscellaneous.

(a) THIS AMENDMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL IN SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

(b) Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment or any provision hereof.

(c) This Amendment may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which when executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(d) Executed counterparts of this Amendment may be delivered electronically.

[SIGNATURE PAGE FOLLOWS]

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

WORLD FINANCIAL CAPITAL BANK,
as RPA Seller

By: /s/ Marvin Corne
Name: Marvin Corne
Title: Chief Executive Officer and President

WORLD FINANCIAL CAPITAL CREDIT COMPANY,
LLC, as Purchaser

By: /s/ Ronald C. Reed
Name: Ronald C. Reed
Title: Vice President and Treasurer

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*Amendment No. 1 to
Receivables Purchase Agreement*

**AMENDMENT NO. 1 TO
TRANSFER AND SERVICING AGREEMENT**

THIS AMENDMENT NO. 1 TO TRANSFER AND SERVICING AGREEMENT, dated as of June 4, 2010 (this "Amendment"), is among World Financial Capital Credit Company, LLC, as transferor (the "Transferor"), World Financial Capital Bank, as servicer (the "Servicer") and World Financial Capital Master Note Trust, as issuer (the "Issuer").

BACKGROUND

WHEREAS, the Transferor, the Servicer and the Issuer are parties to a transfer and servicing agreement, dated as of September 29, 2008 (as the same may be amended, modified or supplemented from time to time, the "Transfer and Servicing Agreement"), among the parties thereto;

WHEREAS, the parties hereto desire to amend the Transfer and Servicing Agreement as set forth herein; and

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Definitions. Capitalized terms defined in the Transfer and Servicing Agreement and used but not otherwise defined herein have the meanings given to them in the Transfer and Servicing Agreement.

SECTION 2. Amendments.

(a) Section 2.5(l) of the Transfer and Servicing Agreement is hereby amended by inserting the phrase ", to the extent such treatment would be consistent with GAAP", after the words "for accounting purposes" where they appear in such section thereof.

(b) Section 2.6(e)(iv) of the Transfer and Servicing Agreement is hereby amended by deleting the words "Exhibit D-2" where they appear and substituting with the words "Exhibit D".

SECTION 3. Representations and Warranties. In order to induce the parties hereto to enter into this Amendment, each of the parties hereto represents and warrants unto the other parties hereto as set forth in this Section 3:

(a) Due Authorization, Non Contravention, etc. The execution, delivery and performance by such party of the Amendment are within its powers, have been duly authorized by all necessary action, and do not (i) contravene its organizational documents; or (ii) contravene any contractual restriction, law or governmental regulation or court decree or order binding on or affecting it; and

(b) Validity, etc. This Amendment constitutes the legal, valid and binding obligation of such party enforceable against such party in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights and general equitable principles.

*Amendment No. 1 to
Transfer and Servicing Agreement*

SECTION 4. Binding Effect; Ratification.

(a) This Amendment shall become effective, as of the date first set forth above, when counterparts hereof shall have been executed and delivered by the parties hereto, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

(b) The Transfer and Servicing Agreement, as amended hereby, remains in full force and effect. Any reference to the Transfer and Servicing Agreement from and after the date hereof shall be deemed to refer to the Transfer and Servicing Agreement as amended hereby, unless otherwise expressly stated.

(c) Except as expressly amended hereby, the Transfer and Servicing Agreement shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto.

SECTION 5. Miscellaneous.

(a) THIS AMENDMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW) AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

(b) Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment or any provision hereof.

(c) This Amendment may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which when executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(d) Executed counterparts of this Amendment may be delivered electronically.

[SIGNATURE PAGE FOLLOWS]

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

WORLD FINANCIAL CAPITAL BANK,
as Servicer

By: /s/ Marvin Corne
Name: Marvin Corne
Title: Chief Executive Officer and President

WORLD FINANCIAL CAPITAL CREDIT COMPANY,
LLC, as Transferor

By: /s/ Ronald C. Reed
Name: Ronald C. Reed
Title: Vice President and Treasurer

WORLD FINANCIAL CAPITAL MASTER NOTE
TRUST, as Issuer

By: BNY Mellon Trust of Delaware, not in its Individual
capacity but solely as Owner
Trustee on behalf of Issuer

By: /s/ Kristin K. Gullo
Name: Kristin K. Gullo
Title: Vice President

Acknowledged and Accepted:

U.S. BANK NATIONAL ASSOCIATION,
not in its individual capacity but solely as Indenture Trustee

By: /s/ Michelle Moeller
Name: Michelle Moeller
Title: Vice President

Tenant: ADS Alliance Data Systems, Inc.
Suite No.: 160

LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease Agreement") is entered into as of the 19th day of May, 2010 ("Effective Date"), between BRANDYWINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Landlord"), and ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation, with offices at 17655 Waterview Parkway, Dallas, TX 75252 ("Tenant").

In consideration of the mutual covenants stated below, and intending to be legally bound, the parties covenant and agree as follows:

1. PREMISES.

(a) Landlord leases to Tenant, and Tenant leases from Landlord, Suite No. 160, which the parties stipulate and agree is five thousand one hundred and ninety-eight (5,198) rentable square feet ("RSF") shown on the space plan attached hereto as Exhibit "A" ("Premises"), located in the building and common areas (collectively, the "Building") at One Righter Parkway, Wilmington, Delaware, which Building is comprised of 104,761 leasable square feet as of the Effective Date.

(b) (1) Subject to (b) (2), Landlord shall, at its sole expense, keeping the existing ceiling grid, ceiling tiles and lighting in place to the extent possible, repaint the Premises in colors of Tenant's choice, shampoo/patch the carpeting as needed and otherwise perform any changes to the Premises as noted in the space plan attached hereto as Exhibit "A" provided that in the event Landlord is unable to reutilize the existing glass walls, same shall be replaced with standard hard walls, all of the foregoing utilizing building standard materials and finishes where not specified otherwise (collectively, the "Landlord's Work"). Landlord may complete the Landlord's Work after the Lease Commencement Date (and shall do so outside of Building Hours to the extent commercially reasonable and in any event in a manner that does not unreasonably obstruct Tenant from using the Premises for ordinary office purposes), but in no event more than one hundred twenty (120) days after the Lease Commencement Date, which deadline (the "Landlord Work Deadline") shall be extended as necessary due to any Force Majeure (as hereinafter defined) or Tenant Delay (as hereinafter defined). "Tenant Delay" means any delays as a result of Tenant's requests to modify Landlord's Work under subsection (2) below and/or Tenant's failure to cooperate reasonably with Landlord's reasonable efforts to complete the Landlord's Work. If any material revision or supplement to Landlord's Work is deemed necessary by Landlord, those revisions and supplements shall be submitted to Tenant for approval, which approval shall not be unseasonably withheld or delayed. In the event such revisions or supplements to Landlord's Work impact completion of Landlord's Work by the Landlord Work Deadline and/or obstruct Tenant from using the Premises for ordinary office purposes, the Fixed Rent Grace Period shall be appropriately extended.

(2) Tenant shall be solely responsible for net increases in the cost of Landlord's Work (including without limitation Landlord's construction management fee) to the extent caused by: (x) Tenant's requests to modify Landlord's Work, including any change in the scope of the Landlord's Work and/or any change from building standard materials or finishes, and/or (y) Tenant's failure to cooperate in a reasonable manner with Landlord's reasonable efforts to complete the Landlord's Work. In the event of such liability, Tenant shall pay to Landlord the amounts owing within ten (10) days of delivery of an invoice and reasonable documentation of such net increases. Landlord's Work constitutes an Alteration under Article 8.

2. TERM; EARLY TERMINATION OR EXPIRATION; RENEWAL.

(a) Term. The "Term" of this Lease Agreement shall commence as of the Effective Date and continue through the end of the Lease Term, unless earlier terminated as provided for in this Lease Agreement.

(b) Key Definitions.

(i) **“Early Expiration Date”**: the end of the sixty-third (63rd) full calendar month of the Initial Lease Term.

(ii) **“Fixed Rent Grace Period”**: The first three full calendar months of the Initial Lease Term.

(iii) **“Initial Lease Term”**: the time period that commences on the Lease Commencement Date and continues through the end of the one hundred twenty-third (123rd) full calendar month after Lease Commencement Date, unless earlier terminated as provided for in this Lease Agreement.

(iv) **“Lease Commencement Date”**: the date determined per (c) below.

(v) **“Lease Term”**: the time period that commences on the Lease Commencement Date and continues through the end of the Early Expiration Date, the Initial Lease Term, or the Renewal Lease Term, as applicable, unless earlier terminated as provided for in this Lease Agreement.

(vi) **“Renewal Lease Term”**: the time period that commences at the end of the Initial Lease Term and continues through the end of the one hundred ninety-third (193rd) full calendar month after the Lease Commencement Date, unless earlier terminated as provided for in this Lease Agreement.

(c) Lease Commencement Date.

(i) Except as otherwise provided in this subsection (c), the Lease Commencement Date shall be no later than thirty-five (35) days after notice from Tenant to Landlord of Tenant’s receipt of necessary regulatory approvals for its affiliate bank to be headquartered in the State of Delaware, provided such regulatory approvals are received by July 1, 2010, meaning July 31, 2010 is the “Benchmark Lease Commencement Deadline”). If such approvals are not received by July 1, 2010, the following shall apply. Unless the Benchmark Lease Commencement Deadline is adjusted (such adjusted date being referred to as the “Adjusted Lease Commencement Date”), this Lease Agreement shall terminate at 11:59 p.m. on July 31, 2010. However, Tenant will have the unilateral right to declare August 31, 2010 the Adjusted Lease Commencement Deadline by paying to Landlord the amount of \$_____ on or before July 31, 2010. If the Lease Term has not commenced by August 31, 2010, each of Landlord and Tenant will have the right to extend the Adjusted Lease Commencement Deadline in one month intervals, which can be exercised on a month-to-month basis, for each month thereafter, and which will include Tenant’s obligation to pay to Landlord \$_____/month that the Lease Term has not commenced. Except as would apply to the month of August 2010, either Landlord or Tenant can terminate the month-to-month extension rights upon 30-days notice. In any event, if the Lease Term has not commenced by 11:59 p.m. on the date of the Benchmark (or Adjusted) Lease Commencement Deadline, this Lease Agreement shall immediately terminate.

(ii) In the event that Tenant receives notice that the above referenced regulatory approvals cannot be obtained, it shall notify Landlord within 5-Business days thereafter of Tenant’s election to either (i) commence the Lease Term notwithstanding such notice, or (ii) immediately terminate this Lease Agreement.

(iii) The Lease Commencement Date shall be confirmed by Landlord and Tenant by the execution of a Confirmation of Lease Term (“COLT”) in the form attached hereto as Exhibit “B”. If Tenant fails to execute or object to the COLT within ten (10) business days of its delivery, Landlord’s determination of such dates shall be deemed accepted by Tenant.

(d) Early Expiration Date. **Subject to each and every** one of the following contingencies, Tenant shall have the option to have the Lease Term end as of the Early Expiration Date instead of the end of the Initial Lease Term.

(i) This Lease Agreement is in full force and effect.

(ii) Tenant, at the time of exercise of this option and of the Early Expiration Date (1) is not in default with respect to any terms, covenants or conditions of this Lease Agreement, and (2) has not sublet the Premises (or any part thereof) or assigned this Lease Agreement. By way of clarification, the parties agree that use of the Premises by Tenant’s affiliate bank does not constitute an assignment, subletting, or default.

(iii) By the end of the fifty-first (51st) month of the Initial Lease Term (“Early Expiration Notice Deadline”), Tenant has (1) provided Landlord written notice of Tenant’s decision to have the Lease Term end on the Early Expiration Date time being of the essence, and (2) Tenant has paid to Landlord the Early Expiration Payment. “Early Expiration Payment” means an amount equal to the sum of (A) the unamortized portion of (i) the costs of performing Landlord’s Work; (ii) the three (3) months free Fixed Rent provided at the commencement of the Term; and (iii) the brokerage commission paid to the Broker; plus (B) an amount equal to two (2) months of then Fixed Rent and Additional Rent. **Note:** The amortization referenced in (A) shall be based on an eight (8%) percent annual interest factor and calculated over the 120 Lease Months comprised of Lease Months 4-123.

(iv) Tenant pays all other sums subsequently due under this Lease Agreement though the Early Expiration Date.

In addition, in the event Tenant gives notice as referenced in (i) above, Tenant’s rights under subsection (e) below (regarding renewal) and under Article 28 (regarding expansion) shall be deemed automatically null and void and of no further force and effect as of the date of giving such notice. However, if despite Tenant’s having given such notice this Lease Agreement does not expire on the Early Expiration Date, such rights shall again be in force and effect as of the date that Tenant’s right to end this Lease Agreement on the Early Expiration Date is waived or forfeited.

(e) **Renewal Lease Term.** Subject to each and every one of the following contingencies, Tenant shall have the option to have the Lease Term end as of the end of the Renewal Lease Term instead of the Initial Lease Term:

(i) This Lease Agreement is in full force and effect and Tenant is fully occupying the Premises,

(ii) Tenant, at the time of exercise of this option and as of the end of the Initial Lease Term (i) is not in default with respect to any terms, covenants or conditions of this Lease Agreement, (ii) has cured any past defaults; and (iii) any such cured defaults did not include more than two (2) in which the monetary damages related thereto exceeded \$_____.

(iii) Tenant shall have furnished written notice of its intent to renew to Landlord no later than the end of the one hundred eleventh (111th) calendar month of the Initial Lease Term, time being of the essence.

During the Renewal Term, the terms of this Lease Agreement shall remain unchanged except that the annual Fixed Rent during the Renewal Term shall be Fair Market Rent (as such term is hereinafter defined). By way of clarification (and not limitation), all factors regarding Additional Rent shall remain unchanged, and no Tenant Allowance shall be included in the absence of further written agreement by the parties. Furthermore, it shall be a condition of the Renewal Term that Landlord and Tenant shall have executed, not less than nine (9) months prior to the expiration of the Initial Lease Term, an appropriate amendment to this Lease Agreement, in form and content satisfactory to each of them, memorializing the extension of the Lease Term through the end of the Renewal Term. Each party, and any appraiser retained by either or both of them to participate in determining Fair Market Value, shall work expeditiously to determine Fair Market Value in time to meet the time frame describe in the preceding sentence. Furthermore, each party must act in a commercially reasonable manner when exercising its discretion as to the satisfactory form and content of the amendment, and not in a manner the conflicts with the clear intent herein to facilitate a smooth renewal.

(f) **Fair Market Value.**

(i) For purposes of this Lease Agreement, “Fair Market Rent” shall mean the base rent, for comparable space. In determining the Fair Market Rent, Landlord, Tenant and any appraiser(s) shall take into account: (i) applicable measurements, loss factors (rentable square footage less usable square footage), lengths of lease term, and differences in size of the space demised, (ii) location of the Building and comparable buildings, amenities in the Building and comparable buildings, the ages of the Building and comparable buildings, differences in base years or “stop amounts” for operating expenses and tax escalations, and (iii) other factors normally taken into account in determining Fair Market Rent.

(ii) The Fair Market Rent shall also reflect the level of improvement and or to be made by Landlord to the Premises and the Recognized Expenses and Taxes (both of which are defined below) under this Lease Agreement. If Landlord and Tenant cannot agree on what the Fair Market Rent should be, the Fair Market Rent shall be established by the following procedure:

(1) Tenant and Landlord (or if they are unable to agree, than their respective appraisers) shall agree on a single MA1 certified appraiser who shall have a minimum of ten (10) years experience in real estate leasing in the greater Wilmington/New Castle County, DE market in which the Premises are located (not to include any properties outside of the State of Delaware).

(2) each party shall notify the other (but not the appraiser), of the notifying party's determination of what Fair Market Rent should be and the reasons therefor,

(3) by the seventh (7th) business day following delivery of the notification referenced in (2) above, each party shall prepare a written critique of the other's determination and shall .deliver the critique to the other party,

(4) by the tenth (10th) day following the deadline in (3) above, each party shall deliver to the appraiser the original determination and critique (with not modifications in either case) that it delivered to the other party per (2) and (3), respectively.

(5) The appraiser shall decide which is more correct between Landlord's and Tenant's determinations of what Fair Market Rent should be. The appraiser's selection shall constitute the Fair Market Rent. By way of clarification, the appraiser shall not be empowered to choose any figure other than either the Landlord's or Tenant's. The fees of the appraiser shall be paid by the non-prevailing party.

3. RENT; FIXED RENT; SECURITY DEPOSIT.

(a) Rent. "Rent" shall be comprised of (i) Fixed Rent and Fixed Rent Penalty (if applicable) and (ii) additional Rent (defined in Article 4). Notwithstanding anything to the contrary set forth elsewhere in this Lease Agreement, Rent cannot increase more than \$0.50 per R.S.F. from any one Calendar Lease Year to the next.

(b) Fixed Rent. Commencing on the first (1st) day of the fourth full calendar month of the Initial Lease Term and each month thereafter during the Term, Tenant shall pay to Landlord without notice or demand, and without set-off, deduction or counterclaim, the monthly installment of annual "Fixed Rent" as set forth in the table below by (i) check payable to Landlord sent to Brandywine Realty Trust, P.O. Box 1195 1, Newark, NJ 07101-4951; (ii) by auto debit of Tenant's bank account from time to time, provided Tenant has completed and submitted to Landlord the request/authorization attached hereto as Exhibit "E", or (iii) wire transfer of immediately available funds to the following account at Wachovia Bank National Bank: Account No. _____ with ABA Routing No. _____. In any event, payments shall be confirmed by Landlord's accounting department upon written request by Tenant. **All payments must include the following information: Building #621 and Lease # <t/b/d>.** The Lease # will be provided to Tenant in the Confirmation of Lease Term.

<u>Lease Period</u>	<u>Fixed Rent per R.S.F.</u>	<u>Monthly Installments</u>	<u>Annual Fixed Rent</u>
Months 1-3			
Months 4-15			
Months 16-27			
Months 28-39			
Months 40-51			
Months 52-63			
Months 64-75			
Months 76-87			
Months 88-99			
Months 100-111			
Months 112-123			

(c) . If any amount of Fixed Rent from Tenant is not paid to Landlord within three (3) days of the due date, Tenant shall also pay a late fee of ten percent (10%) of the Fixed Rent then due (such additional amount being referred to herein as "Fixed Rent Penalty"). Tenant's cure under Article 17 shall not act as a waiver of its liability for the Fixed Rent Penalty.

(d) Security Deposit. Tenant shall not be required to pay a security deposit, except if and as expressly provided in this subsection (d). If Tenant shall be required to pay a security deposit (the "Security Deposit") as provided below, same shall be held as security for the prompt and complete performance by Tenant of every provision of this Lease. No interest shall be paid to Tenant on the Security Deposit. If Tenant fails to perform any of its obligations hereunder, Landlord may use, apply or retain the whole or any part of the Security deposit for the payment of (i) any rent or other sums of money which Tenant may not have paid when due, (ii) any sum expended by Landlord in accordance with the provisions of this Lease, and/or (iii) any sum which Landlord may expend or be required to expend by reason of Tenant's default. The use of the Security Deposit by Landlord shall not prevent Landlord from exercising any other remedy provided by this Lease or by law and shall not operate as either liquidated damages or as a limitation on any recovery to which Landlord may otherwise be entitled. If any portion of the Security Deposit is used, applied or retained by Landlord, Tenant agrees, within five (5) days after the written demand therefor is made by Landlord, to deposit cash with the Landlord in an amount sufficient to restore the Security Deposit to its original amount. In addition to the foregoing, if Tenant defaults (irrespective of the fact that Tenant cured such default) more than once in its performance of a monetary obligation and such monetary defaults aggregate in excess of \$_____ under this Lease, Landlord may require Tenant to pay a Security Deposit in an amount equal to twice the Fixed Rent then paid monthly. If Tenant shall fully comply with all of the provisions of this Lease, the Security Deposit, or any balance thereof, shall be returned to Tenant within a reasonable time after the later of the expiration of the Term or Tenant's surrender of the Premises as required hereunder. Upon the return of the Security Deposit to the original Tenant hereunder, or the remaining balance thereof, Landlord shall be completely relieved of liability with respect to the Security Deposit. In the event of a transfer of the Building, Landlord shall have the right to transfer the Security Deposit and Landlord shall thereupon be released by Tenant from all liability for the return of such Security Deposit. Upon the assumption of such Security Deposit by the transferee, Tenant agrees to look solely to the new landlord for the return of said Security Deposit.

4. ADDITIONAL RENT.

(a) Definitions.

(i) "**Additional Rent**" shall be comprised of (i) Recognized Expense and (ii) charges related to electrical costs (as described in Article 5).

(ii) "**Tenant's Share**" means (i) as of the Effective Date, 4.96% (calculated as 5,198 (square footage of the Premises) divided by 104,761, square footage of the leasable space in the Building; and (ii) thereafter, the figure (expressed as a percentage) determined by dividing the square footage of the Premises by the square footage of the leasable space in the Building.

(b) Recognized Expenses.

(i) Commencing on the Commencement Date, and on the first (1st) day of each Lease Month thereafter during the Term, Tenant shall pay to Landlord without notice or demand Tenant's Share of the "Recognized Expenses", without deduction, counterclaim or setoff, as set forth herein.

(ii) "Recognized Expenses" are (i) all reasonable operating costs and expenses related to the maintenance, operation and repair of the Building incurred by Landlord, including but not limited to management fees (but management fees may not exceed three percent (3%) of Rent in any given Calendar Lease Year; (ii) common area (versus Premises) electric; (iii) capital expenditures and capital repairs and replacements solely to the extent of the amortized costs of same over the useful life of the improvement in accordance with generally accepted accounting principles, such useful life not to exceed five (5) years; (iv) general and administrative overhead which are not in excess of the Overhead Cap (defined as \$.55 per square foot in the calendar year 2010, which Overhead Cap shall be increased by four (4%) percent per calendar year thereafter), (v) all insurance premiums payable by Landlord for insurance with respect to the Building, and (vi) Taxes payable on the Building.

(iii) Prior to the end of the first calendar year (2010) of the Lease Term and thereafter for each successive calendar year, or part thereof, Landlord shall send to Tenant a statement of projected Recognized Expenses and shall indicate what Tenant's Share of Recognized Expenses shall be. As soon as administratively available, Landlord shall send to Tenant a statement of the actual Recognized Expenses for the prior calendar year showing the amount underpaid or overpaid by Tenant. In each case the statement shall be in a form substantially similar to that of the attached Exhibit "G".

(iv) In the case of underpayment, Landlord shall send Tenant an invoice with the additional amount due, which amount shall be paid in full by Tenant within thirty (30) days of receipt. In the case of overpayment, Landlord shall issue a credit to Tenant in an amount equal to the over payment, which credited amount Tenant may apply to future payments of Recognized Expenses until Tenant has been fully credited for the over payment. If the credit due to Tenant is more than the aggregate total of future Recognized Expenses payments, Landlord shall pay to Tenant the difference between the credit and such aggregate total.

(v) Tenant shall have the right, at its sole cost and expense, within ninety (90) days from receipt of Landlord's statement of Recognized Expenses to audit or have its appointed accountant audit Landlord's records related to Recognized Expenses provided that any such audit may not occur more frequently than once each calendar year (per statement) nor apply to any calendar year prior to the one for which the subject statement was prepared. In the event Tenant's audit discloses any claimed discrepancy, Landlord and Tenant shall use their best efforts to resolve the dispute and make an appropriate adjustment. Failing same, they shall submit any such dispute to arbitration pursuant to the rules and under the jurisdiction of the American Arbitration Association in Wilmington, Delaware. The decision rendered in such arbitration shall be final, binding and non-appealable. The expenses of arbitration, other than individual legal and accounting expenses which shall be the respective parties' responsibility, shall be divided equally between the parties. In the event, by agreement or as a result of an arbitration decision, it is determined that the actual Recognized Expenses were less than those claimed by the Landlord by ten (10%) percent or more, the actual, reasonable hourly costs to Tenant of Tenant's audit (including legal and accounting costs) shall be reimbursed by Landlord. In the event Tenant utilizes a contingent fee auditor and Landlord is responsible for the payment of such auditor, Landlord shall only pay the reasonable hourly fee of such auditor. In the event, by agreement or as a result of an arbitration decision, it is determined that the actual Recognized Expenses and Taxes were not less than those claimed by the Landlord by ten (10%) percent or more, then the actual, reasonable hourly costs of Landlord's staff in connection with Tenant's audit (including legal and accounting costs) shall be reimbursed by Tenant.

5. ELECTRICITY CHARGES.

(a) Commencing on the Commencement Date, and on the first (1st) day of each month thereafter during the Term, Tenant shall pay to Landlord without notice or demand Tenant's Share of the electrical costs described in this Article 5, without deduction, counterclaim or setoff, as set forth herein, and without mark-up by Landlord (i.e. at the rate charged by the applicable utility provider).

(b) The methods, rights, and liabilities set forth in Article 4(b)(iii) and 4(b)(v) with respect to Recognized Expenses shall likewise be applicable to electricity costs. By way of clarification, Landlord need not provide statements of electrical costs (estimated or actual) at the same time as it provides statements related to Recognized Expenses. By way of further clarification, any audit by Tenant under Article 4 (b)(v) above shall include review of electrical costs. In other words, Tenant shall not have the right to conduct more than one audit per calendar year. In the event of overpayment, Landlord shall pay to Tenant an amount equal to the over charge within thirty (30) days of determining same. In the event of underpayment, Landlord shall send Tenant an invoice with the additional amount due, which amount shall be paid in full by Tenant within thirty (30) days of receipt of the invoice.

(c) Landlord shall not be liable for any interruption or delay in electric or any other utility service for any reason unless caused by the gross negligence or willful misconduct of Landlord or its agents. Landlord shall have the right to change the electric and other utility provider to the Building at any time. As long as Tenant is not in default under any covenants of this Lease Agreement, Landlord, during the hours of 8:00 A.M. to 6:00 P.M. on weekdays and on Saturdays from 8:00 A.M. to 1:00 P.M. ("Working Hours"), excluding legal holidays, shall furnish the Premises with heat and air-conditioning in the respective seasons, and provide the Premises with electricity for lighting and usual office equipment. At any hours other than the aforementioned, such services will be provided at Tenant's expense at the then standard rate, which is currently \$20.00 per hour per vertical zone. Notwithstanding anything herein to the contrary, if Landlord reasonably determines that Tenant's use of electricity is excessive, Tenant agrees to pay for the installation of a separate electric meter to measure electrical usage in excess of normal office use and to pay Landlord for all such excess electricity registered in such submeter in calculating the electricity charges as hereinbefore described, if for thirty (30) or more days during the preceding Calendar Lease Year less than ninety-five (95%) percent of the rentable area of the Building shall have been occupied by tenants, then the electricity charges attributable to the Building shall be deemed for such Calendar Lease Year to be amounts equal to the electricity charges which would normally be expected to be incurred had such occupancy of the Building been at least ninety-five (95%) percent throughout such year, as reasonably determined by Landlord. Furthermore, if Landlord shall not furnish electricity to any portions of the Building because such portions are not occupied or because such item is not required by the tenant of such portion of the Building, for the purposes of computing electricity charges, an equitable adjustment shall be made so that the electricity charges shall be shared only by tenants actually receiving the benefits thereof. Provided, however, that if Tenant's actual meter-specific use of electricity does not exceed its pro rated share by more than 10%, then Landlord shall be responsible for all costs and expenses of the installation, use (and if Landlord removes same, the removal), of the meter.

6. **SIGNS; USE OF PREMISES AND COMMON AREAS.** Landlord shall provide the original Tenant hereinabove named with standard identification signage on the Building lobby directory and at the entrance to the Premises. No other signs shall be placed, erected or maintained by Tenant at any place upon the Premises, Building. Tenant's use of the Premises shall be limited to general office use and storage incidental thereto, which includes but is not limited to those related to servicing a non-depository banking operation (i.e., no walk-in customers making deposits, etc.) ("Permitted Use"). The Permitted Use shall be subject to all applicable laws and governmental rules and regulations and to all reasonable requirements of the insurers of the Building. Tenant shall not install in or for the Premises, any equipment which requires more electric current than is typical for the Permitted Use. Tenant shall have the right, non-exclusive and in common with other tenants, to use (i) the exterior paved driveways and walkways of the Building for vehicular and pedestrian access to the Building, (ii) the internal common area, including elevators, and (iii) the designated parking areas of the Building for the parking of vehicles of Tenant and its employees and business visitors; provided Landlord shall have the right in its sole discretion and from time to time, to construct, maintain, operate, repair, close, limit, take out of service, alter, change and modify all or any part of the common areas of the Building, including without limitation to reasonably restrict or limit Tenant's utilization of the parking areas in the event the same become overburdened and in such case to equitably allocate on proportionate basis or assign parking spaces among Tenant and the other tenants of the Building. Provided, however, that in any case such alternative accommodations from those as exist as of the execution of this Lease Agreement shall be reasonable in all respect with regard to distance from the Building and in all other relevant considerations.

7. **ENVIRONMENTAL MATTERS.** Tenant shall not generate, manufacture, refine, transport, treat, store, handle, dispose, bring or otherwise cause to be brought or permit any of its agents, employees, contractors or invitees to bring in, on or about any part of the Premises or Building, any hazardous substance or hazardous waste in violation of applicable law.

8. **TENANT'S ALTERATIONS.** Tenant will not cut or drill into or secure (not to include normal and customary picture hanging and similar first class office decorations) any fixture, apparatus or equipment or make alterations, improvements or physical additions (collectively, "Alterations") of any kind to any part of the Premises without first obtaining the written consent of Landlord, such consent not to be unreasonably withheld. Notwithstanding anything in this Lease Agreement to the contrary, all furniture, movable trade fixtures and equipment (including telephone, security and communication equipment system wiring and cabling) installed by or for Tenant, its assignees or sublessees shall be removed by Tenant at the termination of this Lease Agreement.

9. **ASSIGNMENT AND SUBLETTING.** Tenant shall not, without the prior written consent of Landlord (which shall not be unreasonably withheld or delayed), assign this Lease Agreement or any interest herein or sublet the Premises or any part thereof. Any of the foregoing acts without such consent shall be void. If at any time during the Term Tenant desires to assign this Lease Agreement or sublet all or any part of the Premises, Tenant shall give notice (and any valid notice must be in writing) to Landlord of such desire, including the name, address and contact party for the proposed assignee or subtenant, the effective date of the proposed assignment or sublease (including the proposed occupancy date by the proposed assignee or sublessee), and in the instance of a proposed sublease, the square footage to be subleased, a floor plan professionally drawn to scale depicting the proposed sublease area (recognizing that the one attached as Exhibit "A" meets such criteria), and a statement of the duration of the proposed sublease (which shall in any and all events expire by its terms no later than prior to the scheduled expiration of this Lease Agreement, and immediately upon the sooner termination hereof). Landlord may, at its option, exercisable by written notice given to Tenant within forty-five (45) days next following Landlord's receipt of Tenant's notice, elect to recapture the Premises if Tenant is proposing to sublet or terminate this Lease Agreement in the event of an assignment. Regardless of Landlord's consent, no subletting or assignment shall release Tenant of Tenant's obligation or alter the primary liability of Tenant to pay the Rent and to perform all other obligations to be performed by Tenant hereunder for the remainder of the then current Lease Term. Landlord shall be entitled to a one-time \$250.00 fee for consenting to any sublet or assignment. Provided, however, that at no time shall the use of the Premises by Tenant's bank affiliates be considered an assignment or subletting (including but not limited to as that described in this Article 9).

10. **OFAC REPRESENTATION.** Tenant represents, warrants and covenants that neither Tenant nor any of its partners, officers, directors, members or shareholders (or those of any of its banking affiliates) (i) is listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury ("OFAC") pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) ("Order") and all applicable provisions of Title I11 of the USA Patriot Act (Public Law No. 107-56 (October 26, 2001)); (ii) is listed on the Denied Persons List and Entity List maintained by the United States Department of Commerce; (iii) is listed on the List of Terrorists and List of Disbarred Parties maintained by the United States Department of State, (iv) is listed on any list or qualification of "Designated Nationals" as defined in the Cuban Assets Control Regulations 31 C.F.R. Part 515; (v) is listed on any other publicly available list of terrorists, terrorist organizations or narcotics traffickers maintained by the United States Department of State, the United States Department of Commerce or any other governmental authority or pursuant to the Order, the rules and regulations of OFAC (including without limitation the Trading with the Enemy Act, 50 U.S.C. App. 1-44; the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06; the unrepealed provision of the Iraq Sanctions Act, Pub1.L. No. 101-5 13; the United Nations Participation Act, 22 U.S.C. § 2349 as-9; The Cuban Democracy Act, 22 U.S.C. §§ 6001-10; The Cuban Liberty and Democratic Solidarity Act, 18 U.S.C. §§ 2332d and 233; and The Foreign Narcotic Kingpin Designation Act, Publ. L. No. 106-120 and 107-108, all as may be amended from time to time); or any other applicable requirements contained in any enabling legislation or other Executive Orders in respect of the Order (the Order and such other rules, regulations, legislation or orders are collectively called the "Orders"); (vi) is engaged in activities prohibited in the Orders; or (vii) has been convicted, pleaded nolo contendere, indicted, arraigned or custodially detained on charges involving money laundering or predicate crimes to money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes or in connection with the Bank Secrecy Act (31 U.S.C. 531 1 et seq.). Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing representation, warranty and covenant. The breach of this representation, warranty and covenant by Tenant shall be an immediate Event of Default under this Lease Agreement without cure unless otherwise consented to by Landlord in writing,

11. LANDLORD'S RIGHT OF ENTRY. Landlord and persons authorized by Landlord may enter the Premises at all reasonable times upon reasonable advance notice (or any time without notice in the case of an emergency). Landlord shall not be liable for inconvenience to or disturbance of Tenant by reason of any such entry; provided, however, that in each case such shall be done, so far as practicable, so as to not unreasonably interfere with Tenant's use of the Premises. Furthermore, Landlord shall provide Tenant upon written request with an updated written list of those (e.g., but not by limitation, cleaning contractors) having access to the Premises and, to the extent reasonably practical, prior written notice (or prior oral notice if written is not practical) of the timing, duration, and purpose of entry by those not regularly or typically gaining entry and the identification of such person or entity. Landlord agrees to reasonably cooperate with Tenant in connection with Tenant's security related compliance measures required by federal or state banking laws and regulations applicable to Tenant's banking affiliate operating in the Premises.

12. REPAIRS AND MAINTENANCE. Tenant, at its sole cost and expense, shall keep and maintain the Premises in good order and condition, free of rubbish, and shall promptly make all non-structural repairs necessary to keep and maintain such good order and condition. Tenant shall have the option of replacing lights, ballasts, tubes, ceiling tiles, outlets and similar equipment itself or it shall have the ability to advise Landlord of Tenant's desire to have Landlord make such repairs. If requested by Tenant, Landlord shall make such repairs to the Premises within a reasonable time of notice to Landlord and shall charge Tenant for such services at Landlord's standard rate (such rate to be competitive with the market rate for such services). When used in this Article 12, the term "repairs" shall include replacements and renewals when necessary. All repairs made by Tenant or Landlord shall utilize materials and equipment which are at least equal in quality and usefulness to those originally used in constructing the Building and the Premises. Landlord shall provide the janitorial services for the Premises set forth on Exhibit "C". Landlord (not Tenant) shall be responsible for the maintenance (including repair and replacement) of the structural components of the Premises (such as support beams and walls, subflooring, roof, etc.).

13. INSURANCE; SUBROGATION RIGHTS. Tenant shall obtain and keep in force at all times during the term hereof, at its own expense, commercial general liability insurance including contractual liability and personal injury liability and all similar coverage, with combined single limits of \$1,000,000.00 per occurrence and \$2,000,000 aggregate, on account of bodily injury to or death of one or more persons as the result of any one accident or disaster and on account of damage to property, or in such other amounts as Landlord may from time to time require (such requests for increase not to exceed that which is reasonable given considerations to inflation and use of Premises as of the date this Lease Agreement is executed). Tenant shall also require its movers to procure and deliver to Landlord a certificate of insurance naming Landlord as an additional insured. Tenant shall, at its sole cost and expense, maintain in full force and effect on all Tenant's trade fixtures, equipment and personal property on the Premises, a policy of "special form" property insurance covering the full replacement value of such property. All liability insurance required hereunder shall not be subject to cancellation without at least thirty (30) days' prior notice to all insureds, and shall name Tenant as insured and Landlord and Brandywine Realty Trust as additional insureds, and, if requested by Landlord, shall also name as an additional insured any mortgagee or holder of any mortgage which may be or become a lien upon any part of the Premises. Prior to the commencement of the Term, Tenant shall provide Landlord with certificates which evidence that the coverages required have been obtained for the policy periods. Tenant shall also furnish to Landlord throughout the Term replacement certificates at least thirty (30) days prior to the expiration dates of the then current policy or policies. All the insurance required under this Lease Agreement shall be issued by insurance companies authorized to do business in the State of Delaware with a financial rating of at least an A-VIII as rated in the most recent edition of Best's Insurance Reports and in business for the past five (5) years. The limit of any such insurance shall not limit the liability of Tenant hereunder. If Tenant fails to maintain such insurance, Landlord may, but is not required to, procure and maintain the same, at Tenant's expense to be reimbursed by Tenant as Additional Rent within ten (10) days of written demand. Any deductible under such insurance policy in excess of One Hundred Thousand and 00/100 Dollars (\$100,000.00) must be approved by Landlord in writing prior to issuance of such policy; Landlord agrees to accept a deductible of up to Two Million and 00/100 (\$2,000,000.00) Dollars provided, and for so long as Tenant and any bank affiliate of Tenant operating in the Premises is a wholly-owned subsidiary of Alliance Data Systems Corp or of a wholly owned sub-sub-subsidiary of a wholly owned subsidiary of Alliance Data Systems Corp. Tenant shall not self-insure without Landlord's prior written consent (which shall not be unreasonably withheld or delayed, and Tenant's net worth and/or ability to provide a guaranty by an affiliate with sufficient net worth (given the Rent obligations hereunder) shall be considered as part of any such analysis). Each party hereto, and anyone claiming through or under them by way of subrogation, waives and releases any cause of action it might have against the other party and Brandywine Realty Trust and their respective employees, officers, members, partners, trustees and agents, on account of any loss or damage that is insured against under any insurance policy required to be obtained hereunder, except those based on Landlord's breach (unless otherwise limited in this Lease Agreement). Each party agrees that it shall cause its insurance carrier to endorse all applicable policies waiving the carrier's right of recovery under subrogation or otherwise against the other party.

14. INDEMNIFICATION

(a) Tenant shall defend, indemnify and hold harmless Landlord, Brandywine Realty Trust and their respective employees and agents from and against any and all third-party claims, actions, damages, liability and expense (including all reasonable attorney's fees, expenses and liabilities incurred in defense of any such claim or any action or proceeding brought thereon) arising from any activity, work or things done, permitted or suffered by Tenant or its agents, licensees or invitees in or about the Premises or the Building contrary to the requirements of this Lease, and any negligence or willful act of Tenant or any of Tenant's agents, contractors, employees or invitees. Without limiting the generality of the foregoing, Tenant's obligations shall include any case in which Landlord or Brandywine Realty Trust shall be made a party to any litigation commenced by or against Tenant, its agents, subtenants, licensees, concessionaires, contractors, customers or employees, in which case Tenant shall defend, indemnify and hold harmless Landlord and Brandywine Realty Trust and shall pay all costs, expenses and reasonable attorney's fees incurred or paid by Landlord and Brandywine Realty Trust in connection with such litigation, after notice to Tenant and Tenant's refusal to defend such litigation, and upon notice from Landlord shall defend the same at Tenant's expense by counsel satisfactory to Landlord.

(b) Landlord shall defend, indemnify and hold harmless Tenant and its respective employees and agents from and against any and all third-party claims, actions, damages, liability and expense (including all attorney's fees, expenses and liabilities incurred in defense of any such claim or any action or proceeding brought thereon) arising from any activity, work or things done, permitted or suffered by Landlord in or about the Building contrary to the requirements of the Lease, any breach or default in the performance of any obligation of Landlord's part to be performed under the terms of this Lease, and any negligence or willful act of Landlord or any of Landlord's agents, contractors, employees or invitees. Without limiting the generality of the foregoing, Landlord's obligations shall include any case in which Tenant shall be made a party to any litigation commenced by or against Landlord, its agents, subtenants, licensees, concessionaires, contractors, customers or employees, then Landlord shall defend, indemnify and hold harmless Tenant and shall pay all costs, expenses and reasonable attorney's fees incurred or paid by Tenant in connection with such litigation, after notice to Landlord and Landlord's refusal to defend such litigation, and upon notice from Tenant shall defend the same at Landlord's expense by counsel satisfactory to Tenant.

15. FIRE (OR COMPARABLE) DAMAGE. If (i) the casualty damage is of a nature or extent that, in Landlord's reasonable judgment, the repair and restoration work would require more than two hundred ten (.2 10.) consecutive days to complete after the casualty (assuming normal work crews not engaged in overtime), or (ii) more than thirty (30%) percent of the total area of the Building is extensively damaged, or (iii) the casualty occurs in the last Lease Year of the Term and Tenant has not exercised a renewal right, or (iv) insurance proceeds are unavailable or insufficient, either party shall have the right to terminate this Lease Agreement and all the unaccrued obligations of the parties hereto, by sending written notice of such termination to the other within thirty (30) days of the date of casualty. Such notice is to specify a termination date no less than fifteen (15) days after its transmission. In the event of damage or destruction to the Premises or any part thereof as set forth in subsections (i), (ii) or (iii) above and neither party has terminated this Lease Agreement, Tenant's obligation to pay Fixed Rent and Additional Rent shall be equitably adjusted or abated for such time as the Premises is not capable of being used by Tenant for its Permitted Use.

16. SUBORDINATION; RIGHTS OF MORTGAGEE. This Lease Agreement shall be subordinate at all times to the lien of any mortgages now or hereafter placed upon the Premises and/or Building and land of which they are a part without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination. Tenant further agrees to execute and deliver within ten (10) days of demand such further instrument evidencing such subordination and attornment as shall be reasonably required by any mortgagee. If Landlord shall be or is alleged to be in default of any of its obligations owing to Tenant under this Lease Agreement, Tenant shall give to the holder of any mortgage (collectively the "Mortgagee") now or hereafter placed upon the Premises and/or Building, notice by overnight mail of any such default which Tenant shall have served upon Landlord. Tenant shall not be entitled to exercise any right or remedy as there may be because of any default by Landlord without having given such notice to the Mortgagee. If Landlord shall fail to cure such default, the Mortgagee shall have forty-five (45) additional days within which to cure such default.

17. CONDEMNATION. If in Landlord's reasonable judgment a taking renders the Building unsuitable at Landlord's option, this Lease Agreement shall, at either party's option, terminate as of the date title to the condemned real estate vests in the condemning party, and the Rent herein reserved shall be apportioned and paid in full by Tenant to Landlord to that date and all rent prepaid for period beyond that date shall forthwith be repaid by Landlord to Tenant and neither party shall thereafter have any liability hereunder. If this Lease Agreement is not terminated after any such taking or condemnation, the Fixed Rent and the Additional Rent shall be equitably reduced in proportion to the area of the Premises which has been taken for the balance of the Term. Tenant shall have the right to make a claim against the condemning party for moving expenses and business dislocation damages.

18. ESTOPPEL CERTIFICATE. Each party agrees at any time and from time to time, within ten (10) days after the other party's written request, to execute and deliver to the other party a written instrument in recordable form certifying all information reasonably requested.

19. TENANT'S DEFAULT.

(a) If: Tenant fails to pay any installment of Rent when due; provided, however, Landlord shall provide written notice of the failure to pay such Rent and Tenant shall have a three (3) business day grace period from its receipt of such Landlord's notice within which to pay such Rent without creating a default hereunder. The late fee set forth in Article 3 hereof shall be due on the first day after such payment is due irrespective of the foregoing notice and grace period; Tenant "vacates" the Premises (other than in the case of a permitted subletting or assignment or due to fire or other damage or condemnation) or permits the same to be unoccupied for more than thirty (30) days; Tenant fails to bond over a construction or mechanics lien within ten (10) days of receipt of written demand; Tenant fails to observe or perform any of Tenant's other non-monetary agreements or obligations herein contained within ten (10) days after receipt of written notice specifying the default, or the expiration of such additional time period as is reasonably necessary to cure such default, provided Tenant immediately commences and thereafter proceeds with all due diligence and in good faith to cure such default; then, in any such event, an "Event of Default" shall be deemed to exist and Tenant shall be in default hereunder.

(b) If an Event of Default shall occur, the following provisions shall apply and Landlord shall have, in addition to all other rights and remedies available at law or in equity, including the right to terminate the Lease Agreement, the rights and remedies set forth herein, which may be exercised upon or at any time following the occurrence of an Event of Default. 1. Acceleration of Rent. By notice to Tenant, Landlord shall have the right to accelerate all Rent and all expense due hereunder and otherwise payable in installments over the remainder of the Term; and the amount of accelerated rent to the termination date, without further notice or demand for payment, shall be due and payable by Tenant within five (5) days after Landlord has so notified Tenant, such amount collected from Tenant shall be discounted to present value using the higher of an interest rate of six (6%) or the then prevailing prime rate percent per annum. Additional Rent which has not been included, in whole or in part, in accelerated rent, shall be due and payable by Tenant during the remainder of the Term, in the amounts and at the times otherwise provided for in this Lease Agreement. 2. Landlord's Damages. The damages which Landlord shall be entitled to recover from Tenant shall be the sum of (i) all Fixed Rent and Additional Rent accrued and unpaid as of the termination date; and (ii)(a) all reasonable costs and expenses incurred by Landlord in recovering possession of the Premises, including legal fees, and removal and storage of Tenant's property, (ii)(b) the reasonable costs and expenses of restoring the Premises to the condition in which the same were to have been surrendered by Tenant as of the expiration of the Term, and (ii)(c) the costs of reletting commissions; and (iii) all Fixed Rent and Additional Rent otherwise payable by Tenant over the remainder of the Term as reduced to present value and all other actual damages relating to Tenant's breach of this Lease Agreement: Less deducting from the total determined under subsections (i), (ii) and (iii) above, all rent which Landlord receives from other tenant(s) by reason of the leasing of the Premises during any period falling within the otherwise remainder of the Term, as well as any damages related to repairs, etc. that are irrelevant given alternations made for the new tenant. 3. Landlord's Right to Cure. Without limiting the generality of the foregoing, if Tenant shall fail to perform any of its obligations hereunder, Landlord may, in addition to any other rights it may have in law or in equity, cure such default on behalf of Tenant, and Tenant shall reimburse Landlord upon demand for any sums paid or costs incurred by Landlord in curing such default, including reasonable attorneys' fees and other legal expenses, together with interest from the dates of Landlord's incurring of costs or expenses at the Default Rate (as defined below). 4. Interest on Damage Amounts. Any sums payable by Tenant hereunder, which are not paid after the same shall be due, shall bear interest at the higher of a rate of six (6%) or the then prevailing prime rate ("Default Rate"). If another provision of this Lease expressly provides for the payment of interest, such specific provision shall prevail over this general provision. 5. No Waiver by Landlord. No delay or forbearance by Landlord in exercising any right or remedy hereunder, or Landlord's undertaking or performing any act or matter which is not expressly required to be undertaken by Landlord shall be construed, respectively, to be a waiver of Landlord's rights or to represent any agreement by Landlord to undertake or perform such act or matter thereafter. Waiver by Landlord of any breach by Tenant of any covenant or condition herein contained (which waiver shall be effective only if so expressed in writing by Landlord) or failure by Landlord to exercise any right or remedy in respect of any such breach shall not constitute a waiver or relinquishment for the future of Landlord's right to have any such covenant or condition duly performed or observed by Tenant, or of Landlord's rights arising because of any subsequent breach of any such covenant or condition nor bar any right or remedy of Landlord in respect of such breach or any subsequent breach. Provided, however, that the class of individuals specifically exempted from liability under Article 25 (for Landlord) shall similarly apply to Tenant with regard to this Article 19. Except as specifically provided herein, in no event shall Landlord be entitled to consequential, indirect, punitive, or other form of special damages. See also Article 25 with regard to Landlord's liability and default.

(c) SURRENDER. Tenant shall, at the expiration of the Lease Term, promptly quit and surrender the Premises in good order and condition and in conformity with the applicable provisions of this Lease, excepting only reasonable wear and tear and damage by fire or other insured casualty. Tenant shall have no right to hold over beyond the expiration of the Term and in the event Tenant shall fail to deliver possession of the Premises as herein provided, such occupancy shall not be construed to effect or constitute other than a tenancy at sufferance. During the first thirty (30) days of occupancy beyond the expiration of the Lease Term the amount of rent owed to Landlord by Tenant shall automatically become one hundred and fifty (150%) percent of the sum of the Rent as those sums are at that time calculated under the provisions of the Lease. If Tenant fails to surrender the space within such thirty (30) day period after the date of expiration of the Lease Term, the amount of rent owed to Landlord by Tenant shall automatically become two hundred (200%) percent of the sum of the Rent as those sums are at that time calculated under the provisions of the Lease for the remaining period of holdover by Tenant. The acceptance of rent by Landlord or the failure or delay of Landlord in notifying or evicting Tenant following the expiration or sooner termination of the Term shall not create any tenancy rights in Tenant and any such payments by Tenant may be applied by Landlord against its costs and expenses, including attorney's fees, incurred by Landlord as a result of such holdover.

20. **RULES AND REGULATIONS.** At all times during the Term, Tenant, its employees, agents, invitees and licensees shall comply with all rules and regulations specified on Exhibit "D" attached hereto and made a part hereof, together with all reasonable rules and regulations as Landlord may from time to time promulgate provided they do not unreasonably increase the financial burdens of Tenant or take away any rights specifically provided to Tenant in this Lease Agreement. In the event of an inconsistency between the rules and regulations and this Lease Agreement, the provisions of this Lease Agreement shall control. Landlord shall not act in a discriminatory manner in connection with the enforcement of such rules and regulations.

21. **GOVERNMENTAL REGULATIONS.** Tenant shall, in the use and occupancy of the Premises and the conduct of Tenant's business or profession therein, at all times comply with all applicable laws, ordinances, orders, notices, rules and regulations of the federal, state and municipal governments. Landlord shall be responsible for compliance with Title I11 of the Americans with Disabilities Act of 1990, 42 U.S.C. 4 12181 et seq, and its regulations, (collectively, the "ADA") (i) as to the design and construction of exterior and interior common areas (e.g. sidewalks and parking areas) and (ii) with respect to the initial design and construction by Landlord. Except as set forth above in the initial sentence hereto, Tenant shall be responsible for compliance with the ADA in all other respects concerning the use and occupancy of the Premises, which compliance shall include, without limitation (i) provision for full and equal enjoyment of the goods, services, facilities, privileges, advantages or accommodations of the Premises as contemplated by and to the extent required by the ADA, (ii) compliance relating to requirements under the ADA or amendments thereto arising after the date of this Lease Agreement, and (iii) compliance relating to the design, layout, renovation, redecorating, refurbishment, alteration, or improvement to the Premises made or requested by Tenant at any time following completion of the Landlord's Work. By means of clarification, Landlord is responsible for conformance with all applicable law of the work described in Exhibit "A".

22. **NOTICES.** Wherever a notice is required, notice shall be deemed to have been duly given if in writing and either: (i) personally served; (ii) delivered by pre-paid nationally recognized overnight courier service; (iii) forwarded by Registered or Certified mail, return receipt requested, postage prepaid; (iv) facsimile with a copy mailed by first class U.S. mail or (v) e-mailed with evidence of receipt and delivery of a copy of the notice by first class mail; in all such cases addressed to the parties at the following addresses;

Tenant: ADS Alliance Data Systems, Inc.
4590 East Broad Street 3
Columbus, OH 43213
Attn: Oren Snell

ADS Alliance Data Systems, Inc.
100 Easton Square Place
Columbus, OH 43219
Attn: Assistant General Counsel

Landlord: Brandywine Operating Partnership, L.P.
10000 Midlantic Drive, Suite 300W
Mount Laurel, NJ 08054
Attn: George D.Sowa,
Executive Vice-president

Brandywine Realty Trust
555 East Lancaster Avenue, Suite 100
Radnor, PA 19087
Attn: Brad A. Molotsky,
Executive Vice President & General Counsel

Each such notice shall be deemed to have been given to or served upon the party to which addressed on the date the same is delivered or delivery is refused.

23. **BROKERS.** Landlord and Tenant each represents and warrants to the other that such party has had no dealings, negotiations or consultations with respect to the Premises or this transaction with any broker or finder other than Newmark, Knight, Frank Smith Mack and Colliers Lanard & Axilbund for which any payment claim or obligation exists. Each party shall indemnify and hold the other harmless from and against all liability, cost and expense, including attorney's fees and court costs, arising out of any misrepresentation or breach of warranty under this Article.

24. **LANDLORD'S LIABILITY AND DEFAULT.** Landlord's obligations hereunder shall be binding upon Landlord only for the period of time that Landlord is in ownership or control of the Building; and, upon termination of that ownership or control, Tenant, except as to any obligations which are then due and owing, shall look solely to Landlord's successor in interest in the Building for the satisfaction of each and every obligation of Landlord hereunder. No individual (i.e. person) who is a trustee, member, partner, shareholder, officer, director, partner, agent or employee of Landlord shall have any personal liability under any of the terms, conditions or covenants of this Lease Agreement and Tenant shall look solely to the equity of Landlord in the Building for the satisfaction of any claim, remedy or cause of action accruing to Tenant as a result of the breach of any section of this Lease Agreement by Landlord. In addition to the foregoing, no recourse shall be had for an obligation of Landlord hereunder, or for any claim based thereon or otherwise in respect thereof, against any past, present or future trustee, member, partner, shareholder, officer, director, partner, agent or employee of Landlord, whether by virtue of any statute or rule of law, or by the enforcement of any assessment or penalty or otherwise (except in the case of intentional negligence and/or tort, and fraud), all such other liability being expressly waived and released by Tenant with respect to the above-named individuals and entities.

25. **RELOCATION.** Landlord, at its sole expense, on at least sixty (60) days' prior written notice to Tenant, may require Tenant to move from the Premises to another suite of substantially comparable size and décor in the Building. In the event of any such relocation, Landlord shall pay all the expenses of preparing and decorating the new premises so that they will be substantially similar to the Premises and shall also pay the expenses of moving Tenant's furniture and equipment to the new premises. Provided, however, it shall not be permissible for Landlord to exercise its rights hereunder unless/until Tenant's bank affiliate(s) obtain any regulatory permissions related to such relocation.

26. **MISCELLANEOUS PROVISIONS.** (a) Successors. The respective rights and obligations provided in this Lease Agreement shall bind and inure to the benefit of the parties hereto, their successors and assigns; provided, however, that no rights shall inure to the benefit of any successors or assigns of Tenant unless Landlord's written consent for the transfer to such successor and/or assignee has first been obtained as provided in Article 9 hereof; (b) Governing Law. This Lease Agreement shall be construed, governed and enforced in accordance with the substantive laws of the State of Delaware, without regard to principles relating to conflicts of law (of any state or federal law); (c) Entire Agreement. This Lease Agreement, including the Exhibits and any Riders hereto, supersedes any prior discussions, proposals, negotiations and discussions between the parties and the Lease Agreement contains all the agreements, conditions, understandings, representations and warranties made between the parties hereto with respect to the subject matter hereof, and may not be modified orally or in any manner other than by an agreement in writing signed by both parties hereto or their respective successors in interest. Without in any way limiting the generality of the foregoing, the Term of this Lease Agreement can only be extended pursuant to the terms hereof, with the due exercise of an option (if any) contained herein pursuant to a written agreement signed by both Landlord and Tenant specifically extending the Term. No negotiations, correspondence by Landlord or offers to extend the Term shall be deemed an extension of the termination date for any period whatsoever; (d) Time of the Essence. **TIME IS OF THE ESSENCE IN ALL PROVISIONS OF THIS LEASE AGREEMENT, INCLUDING ALL NOTICE PROVISIONS TO BE PERFORMED BY OR ON BEHALF OF TENANT, BUT SUBJECT TO THE TERMS HEREIN;** (e) Accord and Satisfaction. No payment by Tenant or receipt by Landlord of a lesser amount than any payment of Fixed Rent or Additional Rent herein stipulated shall be deemed to be other than on account of the earliest stipulated Fixed Rent or Additional Rent due and payable hereunder, nor shall any endorsement or statement or any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other right or remedy provided for in this Lease Agreement, at law or in equity; (f) Intentionally omitted. (g) Force Majeure. If by reason of strikes or other labor disputes, fire or other casualty (or reasonable delays in adjustment of insurance), accidents, orders or regulations of any Federal, State, County or Municipal authority, or any other cause beyond Landlord's reasonable control (collectively, "Force Majeure"), Landlord is unable to furnish or is delayed in furnishing any utility or service required to be furnished by Landlord under the provisions of this Lease Agreement or is unable to perform or make or is delayed in performing or making any installations, decorations, repairs, alterations, additions or improvements, or is unable to fulfill or is delayed in fulfilling any of Landlord's other obligations under this Lease Agreement, no such inability or delay shall constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of Fixed Rent, or relieve Tenant from any of its obligations under this Lease Agreement, or impose any liability upon Landlord or its agents, by reason of inconvenience or annoyance to Tenant, or injury to or interruption of Tenant's business, or otherwise. Similarly, Tenant's obligation to occupy the Premises or to make any repairs or maintenance to Premises shall not constitute a default or breach to the extent proximately caused by an act of Force Majeure. (h) Financial Statements. Tenant shall furnish to Landlord, Landlord's Mortgagee, prospective Mortgage or purchaser reasonably requested financial information (recognizing that the form of the financial information provided by Tenant prior to the execution of this Lease Agreement shall be deemed satisfactory in future performance of this obligation); (i) Authority. Each party represents and warrants that (A) it is duly organized, validly existing and legally authorized to do business in the State of Delaware, and (B) the person(s) executing this Lease Agreement are duly authorized to execute and deliver this Lease Agreement on behalf of such party (j) NAICS. Tenant acknowledges and agrees that the nature of its business and that of its bank affiliate(s) is consistent with NAICS number is 522210; (k) Attorneys' Fees. In connection with any litigation arising out of this Lease Agreement, the prevailing party, Tenant or Landlord, shall be entitled to recover all costs incurred, including reasonable attorney's fees.

27. **EXPANSION:** If, at any time during the Term of this Lease Agreement after Tenant notifies Landlord in writing that Tenant desires to lease additional space from Landlord (the "Expansion Notice"), and subject to: (a) Tenant not being in default beyond any applicable cure period at the time of exercise nor Tenant ever being in default (irrespective of the fact that Tenant cured such default) of any monetary obligations under this Lease Agreement more than twice during the Term and such monetary defaults aggregate in excess of \$_____; (b) Tenant occupying not less than one hundred (100%) percent of the Premises originally demised hereunder; (c) the rights of other existing tenants in the Building, which rights predate this Lease Agreement; and (d) there being at least thirty-six (36) months remaining of the Extended Term; Landlord shall respond/reply to Tenant with regard to the any space in the Building which Landlord expects to become vacant and available for lease, and Landlord shall propose to Tenant the basic economic terms upon which Landlord would be prepared to entertain the negotiation of a new lease agreement for such space (on all of the same terms and conditions as are set forth in this Lease Agreement, except as otherwise specified by Landlord which other terms, however, shall be substantially similar to those Landlord intends to offer to third party prospects) or an amendment to this Lease Agreement with which the parties would add such space to the description of the "Premises," in either case for a term which would be coterminous with this Lease Agreement unless otherwise specified by Landlord, and which economic terms shall include the estimated date that the space shall be available for delivery, the rent and the tenant allowance (if any) to be furnished to Tenant, whereupon Tenant shall have five (5) business days next following Landlord's delivery of such notice within which to accept such terms, time being of the essence. Should Tenant accept such terms as are specified by Landlord, the parties shall negotiate the terms of a new lease agreement, or an amendment to this Lease Agreement, to memorialize their agreement. In the absence of any further agreement by the parties, such additional space shall be delivered in "AS-IS" condition, and Rent for such additional space shall commence on that date which is the earlier of: (x) Tenant's occupancy thereof, and (y) five (5) days after Landlord delivers such additional space to Tenant free of other tenants and occupants. Tenant's rights hereunder shall not include the right to lease less than all of the space identified in Landlord's notice. In the event Landlord notifies Tenant of space and Tenant rejects such offer under this Article, Landlord's obligations under this Article shall terminate and this Article shall be of no further force or effect,

28. EQUIPMENT/FURNITURE USE. Tenant shall have the right to use, during the term of this Lease Agreement, the personal property described on Exhibit "F" and currently located in the Premises (the "Landlord's Personal Property") in their current as-is, where-is condition, without any warranty or representation from Landlord with respect thereto. Without limiting any other provision of the Lease Agreement, Tenant shall maintain the Landlord's Personal Property at the Premises, in as good order and condition as they are delivered, during the entire term of the Lease Agreement, less normal wear and tear, and shall surrender and re-deliver same to Landlord in such condition at the expiration of the term, reasonable and ordinary wear and tear excepted. Without limiting any other rights of either party set forth elsewhere in this Lease Agreement, Tenant shall have the right to make use of its own personal property that is comparable in nature and kind to Landlord's Personal Property.

29. ROOF RIGHTS. So long as it (i) does not impact Landlord's roof warranty and (ii) complies with all applicable laws, rules and regulations, Tenant, at Tenant's sole cost and expense, shall have access to the roof of the Building in designated areas mutually agreed upon for the purpose of installation of microwave satellite e.g., satellite television/video conferencing enabling equipment) antenna and other communications devices (the "Roof Equipment"). Notwithstanding the foregoing, all such Roof Equipment shall be for the sole benefit of Tenant, and shall relate specifically to Tenant's use of the Premises, and shall not be used as a switching station, amplification station or by Landlord, other tenants or third parties. Tenant shall make a request for approval of the Roof Equipment hereunder by submission of specific plans and specifications for the work to be performed by Tenant. Landlord shall respond in writing within fifteen (15) business days from receipt of the same, advising Tenant of approved contractors and those portions of the work that are acceptable and disapproving those portions of the work that are, in Landlord's judgment, reasonably exercised (including timing of response), unacceptable and with respect to the plans, specifying in detail the nature of Landlord's objection. Tenant shall be solely responsible for all damages caused by its Roof Equipment, for the removal of all Roof Equipment and the restoration of the roof upon the expiration or early termination of this Lease Agreement unless directed in writing by Landlord otherwise. Landlord shall be named as an additional insured on all Tenant insurance relating to the Roof Equipment. All installation, repair, replacement and modification of the Roof Equipment shall be coordinated with Landlord, shall only use those approved contractors and shall be in accordance with the Rules and Regulations set forth herein;

30. CONSENT TO JURISDICTION. Tenant hereby consents to the exclusive jurisdiction of the state courts located in New Castle County and to the federal courts located in the District of Delaware.

31. DAMAGES. Under no circumstances shall either Landlord or Tenant be liable to the other, as a result of any default by such party under or with respect to this Lease, under any theory of tort, contract, strict liability or other legal or equitable theory for any punitive, special, incidental, indirect or consequential damages, each of which is excluded by agreement of the parties regardless of whether or not any party has been first advised of the possibility of such damages. The foregoing sentence shall not excuse Tenant's failure to pay any rent as and when due, nor shall the foregoing sentence apply to or limit Landlord's remedies if Tenant holds over at the Premises after the expiration of the Term without Landlord's consent.

Signatures appear on following page.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Agreement, under Seal, the day and year first above written.

WITNESS:
/s/ Undecipherable

ATTEST:
/s/ Richard E. Schumacher, Jr.
Name: Richard E. Schumacher, Jr.
Title: Senior Vice President

LANDLORD:
BRANDYWINE OPERATTNG PARTNERSHIP, L.P.
By: Brandywine Realty Trust,
Its general partner

By: /s/ George D. Sowa
Name: George D. Sowa
Title: Executive Vice President

TENANT:
ADS ALLIANCE DATA SYSTEMS, INC.

By: /s/ Daniel T. Groomes
Name: Daniel T. Groomes
Title: SVP & CFO, Retail

**CERTIFICATION OF THE
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION**

I, Edward J. Heffernan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Data Systems Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ EDWARD J. HEFFERNAN

Edward J. Heffernan
Chief Executive Officer

Date: August 9, 2010

**CERTIFICATION OF THE
CHIEF FINANCIAL OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION**

I, Charles L. Horn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Data Systems Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHARLES L. HORN

Charles L. Horn
Chief Financial Officer

Date: August 9, 2010

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION**

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q for the quarter ended June 30, 2010 (the "Form 10-Q") of Alliance Data Systems Corporation (the "Registrant").

I, Edward J. Heffernan, certify that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ EDWARD J. HEFFERNAN

Edward J. Heffernan
Chief Executive Officer

Date: August 9, 2010

Subscribed and sworn to before me
this 9th day of August, 2010.

/s/ JANE BAEDKE

Name: Jane Baedke
Title: Notary Public

My commission expires:
October 23, 2012

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION**

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q for the quarter ended June 30, 2010 (the "Form 10-Q") of Alliance Data Systems Corporation (the "Registrant").

I, Charles L. Horn, certify that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ CHARLES L. HORN

Charles L. Horn
Chief Financial Officer

Date: August 9, 2010

Subscribed and sworn to before me
this 9th day of August, 2010.

/s/ JANE BAEDKE

Name: Jane Baedke
Title: Notary Public

My commission expires:
October 23, 2012

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.