

OPERATING AGREEMENT

**World Financial Network National Bank,
Gahanna, Ohio;
and
The Office of the Comptroller of the Currency**

WHEREAS, on or about June 6, 2003, World Financial Network National Bank of Gahanna, Ohio ("WFNNB" or "Bank"), filed a Bank Merger Act application with the Comptroller of the Currency of the United States of America ("Comptroller," "OCC," or "agency") to purchase substantially all of the assets of Granite National Bank, Bowling Green, Ohio ("Granite"); and

WHEREAS, on August 8, 2003 the OCC granted conditional approval of the Bank's application to purchase certain of the assets of Granite (the "Conditional Approval"), subject to compliance with certain requirements and conditions imposed in writing, including the execution of this Agreement, which is not required pursuant to any examination; and

WHEREAS, the Bank and the Comptroller seek to ensure that the Bank will operate safely and soundly and in accordance with all applicable laws, rules, regulations, and conditions imposed in connection with the OCC's approval of the Bank's application;

NOW, THEREFORE, the Bank, by and through its duly elected Board of Directors ("Board") and the Comptroller, by his authorized representative, agree as follows:

ARTICLE I

JURISDICTION

(1) This Agreement shall not be construed to be a "written agreement, order, or capital directive" within the meaning of 12 C.F.R. § 6.4.

(2) All correspondence related to this Agreement, and any information, documentation, reports, plans and/or other written submissions which the Bank or its Board have agreed to submit pursuant to this Agreement shall be forwarded, by overnight mail, to:

Assistant Deputy Comptroller for Credit Card Banks
Office of the Comptroller of the Currency
Atlanta District Office
245 Peachtree Center Avenue, Suite 600
Atlanta, Georgia 30303-1223

with copies sent by overnight mail to:

Examiner-in-Charge
of World Financial Network National Bank
Chicago South Field Office
7600 County Line Road, Suite 3
Burr Ridge, Illinois 60527

ARTICLE II

APPLICATION APPROVAL REQUIREMENTS

(1) The Bank acknowledges that it is obligated to comply with the conditions and requirements detailed in this Agreement and in the Conditional Approval, hereinafter collectively referred to as "Application Approval Requirements."

ARTICLE III

CORPORATE STRUCTURE AND GOVERNANCE

(1) The Bank shall maintain not less than the current composition of the Bank's Board of Directors, consisting of three (3) independent Directors and (4) internal Directors.

(2) If the Bank's Board of Directors is increased or decreased in size, the Bank shall achieve and thereafter maintain a ratio of not less than fifty percent (50%) of independent Directors to internal Directors.

(3) The Bank's Audit Committee shall consist solely of independent Directors.

ARTICLE IV

CAPITAL

- (1) The Bank shall at all times maintain minimum capital in the aggregate amount of:
 - (i) the minimum capital required pursuant to 12 C.F.R. Part 3 Appendix A (total risk based capital of at least 8%); or
 - (ii) in the event the Bank is required to establish and fund a Liquidity Reserve Deposit Account pursuant to Article V of this Agreement, (a) the minimum capital required pursuant to 12 C.F.R. Part 3 Appendix A (total risk based capital of at least 8%); plus (b) the amount of assets in the Liquidity Reserve Deposit Account.
- (2) If the Bank's capital falls below the level required by paragraphs (1) above, the Bank will be deemed to be undercapitalized for purposes of the Prompt Corrective Action ("PCA") statute and implementing regulations (12 U.S.C. § 1831o and 12 C.F.R. Part 6) and the Comptroller may take whatever actions he deems appropriate as if the Bank were undercapitalized under PCA.
- (3) No later than the effective date of this Agreement, the Bank and its parent, Alliance Data Systems Corporation ("ADS" or "parent") shall execute a Capital Assurances and Liquidity Maintenance Agreement ("CALMA") in a form to which the Comptroller has no supervisory objection that: (i) ensures the Bank maintains the minimum capital required in accordance with paragraph (1) of this Article; (ii) ensures that the Bank maintains the minimum level of liquidity required by paragraph (1) of Article V; ensures, that upon the occurrence of a Liquidity Triggering Event, the Bank establishes and maintains the LRD required by paragraph (2) of Article V; (iii) ensures the maintenance of marketable assets in accordance with paragraph

(2) of Article VII; and (iv) ensures that the Bank has a line of credit from ADS or a successor parent company in an amount not less than one hundred million dollars (\$100,000,000).

(4) Within ten (10) days from the effective date of this Agreement, the Bank shall provide the Comptroller with: (i) the fully executed CALMA entered into by and between the Bank and ADS; and (ii) the resolutions adopted by the Board of the Bank and the Board of ADS evidencing their respective Boards' approvals and authorizations to enter into and be bound by the CALMA.

(5) The Bank shall notify the Comptroller on the same day that the Bank makes a request on ADS pursuant to the terms of the CALMA.

(6) The Bank shall take all actions to enforce the terms of the CALMA if and when necessary. The Bank shall not modify, amend or terminate, or agree or consent to modify, amend or terminate the CALMA without the prior written supervisory non-objection of the Comptroller.

ARTICLE V

LIQUIDITY

(1) The Bank shall continue to maintain a minimum level of liquidity to meet the Bank's ongoing liquidity needs. For purposes of this paragraph, "minimum level of liquidity to meet the Bank's ongoing liquidity needs" shall be not less than the average of the highest ten (10) consecutive days of sales, net of payments for the same period, for the next calendar quarter as determined by the actual sales, net of payments for the same period, of the same calendar quarter of the immediately preceding year. The minimum level of liquidity required by this paragraph may be achieved through one or a combination of the following: (i) excess securitization capacity; (ii) cash and cash equivalents; (iii) certificate of deposit availability; or

(iv) the amount of available credit on the Bank's line of credit from ADS required by paragraph (3) of Article IV. The minimum level of liquidity required by this paragraph shall be determined by the Bank quarterly and the Bank shall provide the OCC with documentation supporting its determination.

(2) Within ten (10) days of the occurrence of any "Liquidity Triggering Event" described in paragraph (3) below that has not been cured, the Bank shall enter into a Liquidity Reserve Deposit Agreement (hereinafter the "LRD Agreement") with a third party insured depository institution or a Federal Reserve Bank ("Depository Bank") and the OCC, whereby the Bank will maintain liquid assets, as defined in paragraph (7) of this Article, in an amount and type acceptable to the Comptroller, in the Depository Bank ("LRD Account") to be used to support the Bank's funding needs and requirements in the event the Bank's operating subsidiaries, or any successors or replacement entities, fail to purchase and pay for credit card receivables in accordance with any receivables purchase agreements governing the receivables. The terms of the LRD Agreement and the Depository Bank shall be acceptable to the Comptroller. The amount of liquid assets required to be maintained under this paragraph, which may be used in calculating the Bank's capital and liquidity levels required by this Agreement, shall be determined on the day the LRD is entered into, and thereafter on the first (1st) day of each calendar month, and shall be maintained, at a minimum, in an amount not less than three (3) times the gross daily average of credit card receivables (as defined in paragraph (8) of this Article) originated during the same calendar month of the prior calendar year ("LRD Requirement"). In the event the balance of the LRD Account exceeds the LRD Requirement, the Bank may reduce the balance in the LRD Account in accordance with paragraph (4) of this Article and the Terms of the LRD Agreement.

(3) As of the effective date of this Agreement, the Bank shall be required to comply with the requirements of paragraph (2) of this Article upon the occurrence of any of the following Liquidity Triggering Events:

- (i) any event relating to declining performance in the receivables that would, in the Bank's good faith judgment, result in an early amortization event within the next 90 days; or
- (ii) the ratings of the existing and future securitizations are downgraded more than one step by any one or all of the rating agencies; or
- (iii) the ratings of the existing and future securitizations are downgraded to "below investment grade" by any one or all of the rating agencies; or
- (iv) the Special Purpose Vehicles are unable to obtain funds in the securitization market; or
- (v) the Bank fails to maintain a line of credit in an amount of not less than \$100,000,000 from ADS or a successor parent company as required by paragraph (3) of Article IV.

Subject to supervisory non-objection, a Liquidity Triggering Event that has required the establishment and funding of the LRD Account may be cured when no additional Liquidity Triggering Event has occurred for a consecutive six (6) month period, after which the Bank may reduce or terminate the LRD Account.

(4) Should the LRD Account be required to be funded in accordance with paragraphs (2) and (3) of this Article, the Bank shall, at all times thereafter, maintain the following information in written form, which may include electronic form, that is readily available to the OCC upon request: (i) the LRD Requirement for the current and upcoming month; (ii) the

supporting documentation used in calculating the LRD Requirement; (iii) the value of the liquid assets in the LRD Account; and (iv) the necessary documentation for the Comptroller's concurrence of any reduction in the LRD Account. All changes to the LRD Account shall be made pursuant to the terms of the LRD Agreement.

(5) If the balance in the LRD Account is less than the LRD Requirement for the upcoming month, the Bank shall, by the first (1st) day of the upcoming month, add liquid assets sufficient to cover the LRD Requirement for the upcoming month, and notify the OCC that the dollar amount of the LRD Account has been increased accordingly.

(6) If the Bank becomes aware, or is otherwise informed, that assets maintained in the LRD Account become ineligible to be considered liquid assets following deposit to the LRD Account, the Bank shall replace such assets with liquid assets of equal value within ten (10) business days of notice of such ineligibility.

(7) The term "liquid assets" shall include only: (i) cash deposits; (ii) federal funds sold; (iii) deposits at insured depository institutions; (iv) Type I Securities under 12 C.F.R. Part 1; and (v) such other assets to which the Comptroller has no prior supervisory objection. The term liquid assets shall not include encumbered or pledged assets by lien, right of setoff, preference or otherwise; any credit card receivable due and owing to the Bank; nor any other asset pledged as security in any financial transaction with the Bank or any subsidiary, affiliate, related party, or institution-affiliated party.

(8) The term "credit card receivables" shall mean, for any day, the principal amount of all purchases, cash advances, balance transfers, convenience checks and other charges processed on such day on a credit card issued by the Bank, such amount to be calculated prior to the application of or deducting any payments or credits received or expected on such day.

ARTICLE VI

CONTINGENCY FUNDING PLAN

(1) Within 60 days, the Bank shall develop and present to the OCC for review and supervisory non-objection a detailed written Contingency Funding Plan that addresses alternative funding sources should funding from securitization activities or brokered deposit channels be unavailable. The Contingency Funding Plan shall include triggering events under which the Bank will begin to implement the alternative funding options. Following receipt by the Bank of the OCC's supervisory non-objection to the Contingency Funding Plan, the Bank shall present the Plan to its Board of Directors for adoption at its next regularly scheduled meeting.

(2) In the event the Bank's operating subsidiaries, or any successor or replacement entities, are unable to provide the funds necessary to purchase the credit card receivables from the Bank, the Bank shall, within one (1) business day, notify the OCC and execute the Contingency Funding Plan. In the event the Contingency Funding Plan fails, or the OCC reasonably determines that the Plan will fail, the Bank shall, if directed to do so by the OCC, cease authorizing new credit card transactions until such time as the Bank receives payment for the receivables.

ARTICLE VII

ASSET AND LIABILITY STRUCTURE

(1) In the event the Bank changes its current program of selling receivables to its operating subsidiaries, it will provide the OCC with a minimum ten (10) days advance written notice. "Current program of selling receivables" means the two-step process (from Bank to Bank's operating subsidiary to the securitization trust), related to the securitization that will ensure sale accounting treatment under FAS 140 or such similar funding structure that will

support sale accounting treatment under FAS 140. The Bank shall not implement such change without receiving prior supervisory non-objection from the OCC.

(2) The Bank's insured deposits shall not exceed one hundred percent (100%) of the Bank's capital without prior supervisory non-objection from the OCC. The Bank shall maintain sufficient marketable assets to cover one hundred percent (100%) of the Bank's brokered deposits that will mature in the ensuing six (6) months. For purposes of this paragraph "marketable assets" means liquid assets comprised of: (i) cash deposits; (ii) investment securities listed in 12 C.F.R. § 1.2 to which the OCC has provided a prior determination of supervisory non-objection; (iii) federal funds sold; and (iv) such other assets to which the OCC has provided a prior supervisory non-objection, plus receivables, as defined in Article X, which includes the seller's interest in the trusts, valued at the lower of net book value (calculated monthly) or fair market value (calculated quarterly). Marketable assets does not include any encumbered or pledged assets.

ARTICLE VIII

TRANSACTIONS WITH AFFILIATES

(1) The Bank shall in all respects comply with the requirements of 12 U.S.C. §§ 371c and 371c-1, as implemented by regulation W (12 C.F.R. Part 223) (hereinafter referred to as "affiliate laws").

(2) To ensure compliance with applicable affiliate laws the Bank shall, within one year from the effective date of this Agreement: (i) review all existing contracts, agreements, or arrangements, written or otherwise, with all of its affiliates to determine whether each such contract, agreement or arrangement complies with the affiliate laws; (ii) renegotiate all contracts, agreements or arrangements that do not comply with the affiliate laws or do not contain the

provision in paragraph (3) of this Article. The Bank shall document its findings and conclusions from its review and retain such documentation for review by OCC personnel.

(3) The Bank shall not enter into any new contract, agreement or arrangement with any of its affiliates, or modify, revise or renew any existing contract, agreement or arrangement with any of its affiliates, unless the contract, agreement or arrangement provides that, in the event that the Federal Deposit Insurance Corporation (“FDIC”) is appointed receiver for the Bank, the affiliate agrees to comply with the terms of the contract, agreement or arrangement and to provide for a reasonable time for transition to a successor to the affiliate, if so requested by the FDIC.

(4) Within ninety (90) days and quarterly thereafter, the Bank shall perform an analysis of its actual cost of servicing credit card receivables versus the remuneration the Bank receives for performing the servicing. If any analysis required by this paragraph shows that the Bank’s actual cost to perform the servicing exceeds the remuneration the Bank is receiving for the servicing, the Bank must provide justification therefor. The results of the analysis performed in accordance with this paragraph shall be made available to the OCC upon request.

(5) The Bank shall ensure that all securitization agreements continue to include requirements that the payment of the servicing fees to the Bank be in priority positions such that defaults shall not take priority over the servicing fees in the waterfall.

ARTICLE IX

BUSINESS PLAN

(1) Within one hundred twenty (120) days, the Bank shall provide the OCC with a detailed Business Plan outlining its products, services, and operations, including an assessment of the adequacy of its servicing operations. The Bank shall also ensure that all of its operations are

in conformance with OCC Bulletin 2000-20, *Uniform Retail Credit Classification and Account Management Policy*, and OCC Bulletin 2003-1, *Credit Card Lending: Account Management and Loss Allowance Guidance*.

(2) Prior to making any changes that may have a material impact on the Business Plan, or the Bank's conformance with the OCC Bulletins described in paragraph (1) above, that could impact growth rates, quality of earnings, and risk to capital, the Bank shall comply with the requirements of the 161 Letter sent to the Bank dated June 28, 2002. For purposes of this Article, changes that may have a material impact on the Business Plan include, but are not limited to, any significant deviations from or material changes to:

- (a) marketing strategies, marketing partners, or acquisition channels;
- (b) underwriting practices and standards for account and/or portfolio acquisition;
- (c) account management strategies and test programs;
- (d) collection strategies, partners or operations;
- (e) fee structure or fee application methods;
- (f) accounting processes and practices;
- (g) the current business focus, including entering into or exiting from a business segment;
- (h) any other changes in personnel, operations or external factors that may have a material impact on the Bank's operations or financial performance;
- (i) funding strategies and capital maintenance; and
- (j) proposed deviations or changes at the Bank's parent or other affiliates if such deviations or changes have the potential to affect transactions involving the Bank or other relations with the Bank, or to result in reportable changes to the Bank's business plan or operations.

ARTICLE X

DEFINITIONS

(1) For purposes of this Agreement, the following terms shall have the below-described meanings:

- (a) The term "Capital Assurance and Liquidity Maintenance Agreement"

shall mean that certain agreement entered into between ADS and the Bank pursuant to the terms of this Agreement.

- (b) The term “Liquidity Reserve Deposit Agreement” shall mean an agreement entered into between the Comptroller, the Bank, and a third party insured depository institution pursuant to the terms of this Agreement.
- (c) The term “affiliate” shall be defined as set forth in 12 U.S.C. § 371c(b)(1).
- (d) The term “receivables” shall mean the principal amount of all purchases, cash advances, balance transfers, convenience checks and other charges processed on such day on a credit card issued by the Bank, such amount to be calculated prior to the application of any payments.
- (e) The term “Comptroller” shall include any duly authorized officers of the OCC.

ARTICLE XI

TERM OF AGREEMENT

(1) This Agreement shall become effective immediately upon its execution by all parties (“Effective Date”).

(2) This Agreement will remain in full force and effect until (i) terminated by the mutual agreement of the Bank and the Comptroller; (ii) ADS ceases to own directly or indirectly twenty-five percent (25%) or more of the voting shares of the Bank; or (iii) the Bank is merged, consolidated, or converted into another entity.

(3) This Agreement may be modified or amended only by the mutual written consent of the parties.

(4) This Agreement shall not be assigned without the express written consent of the parties.

ARTICLE XII

CONCLUDING PROVISIONS

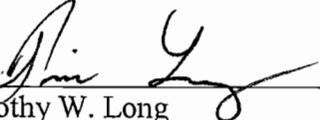
(1) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(2) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Comptroller or his duly authorized representative for good cause upon written application by the Bank.

(3) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall: (i) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement; (ii) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement; (iii) follow-up on any non-compliance with such actions in a timely and appropriate manner; and (iv) require corrective action be taken in a timely manner of any non-compliance with such actions.

(4) The Bank's execution of, and adherence to, this Agreement is intended, and shall be construed to be a "condition imposed in writing in connection with the granting of any application" as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the OCC or the United States of America. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States of America, the United States Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.



Timothy W. Long
Senior Deputy Comptroller for
Community/Mid-Size Banks

9-8-03
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Ivan M. Szeftel
Ivan M. Szeftel, Chairman

9/2/03
Date

Robert Armiak

Date

Daniel T. Groomes

Date

Lisa K. Klinger

Date

Timothy Lyons

Date

Alan M. Utay

Date

Kenneth J. Warren

Date

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Ivan M. Szeftel, Chairman

Date



Robert Armiak

9/2/03

Date



Daniel T. Groomes

9/2/03

Date

Lisa K. Klinger

Date



Timothy Lyons

8/23/03

Date

Alan M. Utay

Date

Kenneth J. Warren

Date

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Ivan M. Szeftel, Chairman

Date

Robert Armiak

Date

Daniel T. Groomes

Date



Lisa K. Klinger

9/2/03

Date

Timothy Lyons

Date

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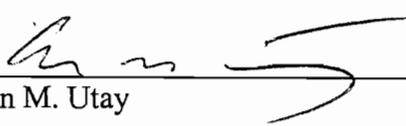
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Lisa K. Klinger

Date

Timothy Lyons

Date



Alan M. Utay

9/2/05
Date

Kenneth J. Warren

Date

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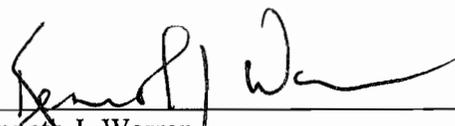
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Alan M. Utay

Date



Kenneth J. Warren

Date

9/21/03