
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported):
December 21, 2005

ALLIANCE DATA SYSTEMS CORPORATION

(Exact Name of Registrant as Specified in Charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation)

001-15749
(Commission
File Number)

31-1429215
(IRS Employer
Identification No.)

17655 WATERVIEW PARKWAY
DALLAS, TEXAS 75252
(Address and Zip Code of Principal Executive Offices)

(972) 348-5100
(Registrant's Telephone Number, including Area Code)

NOT APPLICABLE
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act
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ITEM 1.01. Entry into a Material Definitive Agreement

On December 21, 2005, Alliance Data Systems Corporation and certain of its subsidiaries (collectively, the “Company”) entered into amendments to the Company’s three credit facilities. Each amendment amended the definition of Senior Leverage Ratio under the applicable credit facility, amended the maximum Senior Leverage Ratio for the applicable credit facility, amended the maximum Total Capitalization Ratio for the applicable credit facility, and revised the pricing grid set forth on the appendix to the applicable credit facility in connection with the foregoing. In addition, each amendment amended the applicable credit facility to permit the Company to incur certain indebtedness that is pari passu to or junior to the indebtedness incurred by the Company under such credit facility. Except as set forth above, the remaining terms of each credit facility remain unchanged.

Item 2.03. Creation of a Direct Financial Obligation under an Off-Balance Sheet Arrangement of a Registrant

See discussion in Item 1.01, which is incorporated herein by reference.

ITEM 9.01. Financial Statements and Exhibits

(c) Exhibits

| EXHIBIT NUMBER | DESCRIPTION |
|---------------------------|---|
| 99.1 | FOURTH AMENDMENT TO CREDIT AGREEMENT (3-YEAR) dated as of December 21, 2005 by and among Alliance Data Systems Corporation, the guarantor party thereto, the banks party thereto, and Harris N.A., as administrative agent and letter of credit issuer. |
| 99.2 | FIFTH AMENDMENT TO CREDIT AGREEMENT (364-DAY) dated as of December 21, 2005 by and among Alliance Data Systems Corporation, the guarantor party thereto, the banks party thereto, and Harris N.A., as administrative agent and letter of credit issuer. |
| 99.3 | FOURTH AMENDMENT TO CREDIT AGREEMENT (CANADIAN) dated as of December 21, 2005 by and among Loyalty Management Group Canada Inc., the guarantors party thereto, the banks party thereto, Bank of Montreal, as letter of credit issuer, and Harris N.A., as administrative agent. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Alliance Data Systems Corporation

Date: December 27, 2005

By: /s/ Edward J. Heffernan

Edward J. Heffernan

Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

| EXHIBIT NUMBER | DESCRIPTION |
|---------------------------|---|
| 99.1 | FOURTH AMENDMENT TO CREDIT AGREEMENT (3-YEAR) dated as of December 21, 2005 by and among Alliance Data Systems Corporation, the guarantor party thereto, the banks party thereto, and Harris N.A., as administrative agent and letter of credit issuer. |
| 99.2 | FIFTH AMENDMENT TO CREDIT AGREEMENT (364-DAY) dated as of December 21, 2005 by and among Alliance Data Systems Corporation, the guarantor party thereto, the banks party thereto, and Harris N.A., as administrative agent and letter of credit issuer. |
| 99.3 | FOURTH AMENDMENT TO CREDIT AGREEMENT (CANADIAN) dated as of December 21, 2005 by and among Loyalty Management Group Canada Inc., the guarantors party thereto, the banks party thereto, Bank of Montreal, as letter of credit issuer, and Harris N.A., as administrative agent. |

**FOURTH AMENDMENT TO
CREDIT AGREEMENT (3-YEAR)**

This Fourth Amendment to Credit Agreement (3-Year) (this "*Amendment*") is dated as of December 21, 2005 by and among Alliance Data Systems Corporation (the "*Borrower*"), the Guarantor party hereto, the Banks party hereto, and Harris N.A., as Administrative Agent and Letter of Credit Issuer.

WITNESSETH:

WHEREAS, the Borrower, the Guarantor, the Banks, and the Administrative Agent have heretofore executed and delivered a Credit Agreement (3-Year) dated as of April 10, 2003 (as amended by the First Amendment thereto dated as of October 21, 2004, the Second Amendment thereto dated as of April 7, 2005, and Third Amendment thereto dated as of October 28, 2005, the "*Credit Agreement*"); and

WHEREAS, the Borrower, the Guarantor, the Banks and the Administrative Agent desire to amend the Credit Agreement to (i) modify certain covenants and (ii) make certain other amendments to the Credit Agreement as set forth herein;

NOW, THEREFORE, for good and valuable consideration the receipt of which is hereby acknowledged, the Borrower, the Guarantor, the Banks and the Administrative Agent hereby agree as follows:

1. The defined term "*Senior Leverage Ratio*" is hereby amended in its entirety and as so amended shall read as follows:

"*Senior Leverage Ratio*" means, at any time, the ratio of (x) all amounts owing by the Borrower and its Subsidiaries pursuant to the terms of (i) this Agreement or any other Credit Document, the Related Credit Agreement or the Canadian Credit Agreement to the agents and the lenders thereunder and (ii) any credit agreement, note purchase agreement, indenture or other credit facility relating to Debt permitted by Section 6.15(viii) to (y) Consolidated Operating EBITDA of the Borrower and its Subsidiaries for the twelve months then most recently ended.

2. Section 6.11 of the Credit Agreement is hereby amended in its entirety and as so amended shall read as follows:

Section 6.11. Maximum Total Capitalization Ratio. The Borrower will not permit its Total Capitalization Ratio at any time to be more than 60%.

3. Section 6.12 of the Credit Agreement is hereby amended in its entirety and as so amended shall read as follows:

Section 6.12. Senior Leverage Ratio. The Borrower shall not permit its Senior Leverage Ratio at any time to exceed 2.50 to 1.00.

4. Section 6.15 of the Credit Agreement is hereby amended by deleting clauses (vii), (viii) and (ix) thereof and inserting in their place the following:

(vii) loans and letter of credit reimbursement obligations outstanding from time to time under this Agreement, the Related Credit Agreement and the Canadian Credit Agreement in an aggregate principal amount not to exceed \$550,000,000 (including the Dollar equivalent of Canadian dollar borrowings based on the exchange rate set forth in the Canadian Credit Agreement), (viii) unsecured Debt or Debt secured by the Collateral (or any part thereof) on a *pari passu* basis with, or on a junior basis to, the obligations outstanding from time to time under this Agreement, the Related Credit Agreement and the Canadian Credit Agreement, outstanding from time to time in an aggregate principal amount not to exceed \$600,000,000, (ix) Debt incurred by the Borrower and its Subsidiaries in the nature of a purchase price adjustment in connection with a permitted Restricted Acquisition, and (x) other unsecured Debt of the Borrower and/or its Subsidiaries not to exceed \$10,000,000 in the aggregate outstanding at any time.

5. Section 6.24(7) of the Credit Agreement is hereby amended in its entirety and as so amended shall read as follows: “(7) encumbrances and restrictions contained in Permitted Subordinated Debt and Debt permitted by Section 6.15(viii); and”.

6. The Pricing Schedule set forth in Appendix I to the Credit Agreement is hereby amended by (i) deleting the pricing grid contained therein in its entirety and inserting in its place the following:

| Status | Level I | Level II | Level III | Level IV |
|--------------------------------------|---------|------------------------|-------------------------|-------------------|
| Senior Leverage Ratio | <1.00 | ³ 1.00<1.50 | ³ 1.50 <2.00 | ³ 2.00 |
| Euro-Dollar Margin | 0.50% | 0.75% | 1.00% | 1.25 |
| Applicable Commitment Fee Percentage | .10% | .125% | .15% | .175% |

and (ii) deleting the phrase “*Level III*” appearing in the definitions “*Euro-Dollar Margin*” and “*Applicable Commitment Fee Percentage*” and inserting in its place “*Level IV*.”

7. Each Bank hereby consents to the Debt permitted by Section 6.15(viii) being secured by security interests in the Collateral and authorizes the Administrative Agent and Collateral Agent to execute any amendments, supplements, waivers or consents to the Pledge Agreements, Intercreditor Agreement and any other document executed in connection therewith and to take such other actions as may be requested by the Borrower and as deemed necessary by the Administrative Agent or Collateral Agent in order to secure Debt permitted by Section 6.15(viii) of the Credit Agreement by the Collateral (or any part thereof) on a *pari passu* basis with, or (if so requested by the Borrower) on a junior basis to, the obligations outstanding from time to time under the Credit Agreement, the Related Credit Agreement and the Canadian Credit Agreement.

8. This Amendment shall become effective as of the opening of business on December 21, 2005 (the "*Effective Time*") subject to the conditions precedent that on or before such date:

(a) the Administrative Agent shall have received counterparts hereof executed by the Borrower, the Guarantor and the Required Banks;

(b) the Administrative Agent shall have received certified copies of resolutions of the boards of directors of the Borrower and the Guarantor authorizing the execution and delivery of this Amendment, indicating the authorized signers of this Amendment and the specimen signatures of such signers;

(c) the Borrower shall have paid (i) to each Bank which has executed this Amendment on or prior to December 20, 2005 an amendment fee equal to 0.10% of each such Bank's Commitment and (ii) to the Administrative Agent such other fees as agreed between the Borrower and Administrative Agent.

9.1. To induce the Administrative Agent and the Banks to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Banks that: (a) the representations and warranties contained in the Credit Agreement are true and correct in all material respects as of the date hereof with the same effect as though made on the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date); (b) no Default or Event of Default exists; (c) this Amendment has been duly authorized by all necessary corporate proceedings and duly executed and delivered by the Borrower and the Credit Agreement, as amended by this Amendment, is the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity; and (d) no consent, approval, authorization, order, registration or qualification with any governmental authority is required for, and the absence of which would adversely affect, the

legal and valid execution and delivery or performance by the Borrower of this Amendment or the performance by the Borrower of the Credit Agreement, as amended by this Amendment.

9.2. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment.

9.3. Except as specifically provided above, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. The execution, delivery, and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power, or remedy of the Administrative Agent or any Bank under the Credit Agreement or any Note, nor constitute a waiver or modification of any provision of any of the Credit Agreement or any Note.

9.4. This Amendment and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the law of the State of New York.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION, as Borrower

By /s/ Robert P. Armink

Name Robert P. Armink

Title SVP & Treasurer

ADS ALLIANCE DATA SYSTEMS, INC., as a Guarantor

By /s/ Robert P. Armink

Name Robert P. Armink

Title SVP & Treasurer

HARRIS N.A. (successor by merger with Harris Trust and Savings Bank), individually, as Letter of Credit Issuer and as Administrative Agent

By /s/ Mark W. Piekos

Name Mark W. Piekos

Title Managing Director

SUNTRUST BANK

By /s/ Timothy M. O'leary

Name Timothy M. O'leary

Title Director

S-3

[Fourth Amendment 3-Year]

WACHOVIA BANK, N.A.

By /s/ Karin E. Samuel
Name Karin E. Samuel
Title Vice President

S-4

[Fourth Amendment 3-Year]

JPMORGAN CHASE BANK

By /s/ Michael J. Lister

Name Michael J. Lister

Title Senior Vice President JPMorgan Chase Bank, N.A.

S-5

[Fourth Amendment 3-Year]

HUNTINGTON NATIONAL BANK

By /s/ Steven P. Clemens

Name Steven P. Clemens

Title Vice President

S-6

[Fourth Amendment 3-Year]

BEAR STEARNS CORPORATE LENDING, INC.

By /s/ Victor Bulzacchelt
Name Victor Bulzacchelt
Title Vice President

CREDIT SUISSE, Cayman Islands Branch
(f/k/a Credit Suisse First Boston, acting through its
Cayman Islands Branch)

By /s/ Alain Drouot

Name Alain Drouot
Title Director

By /s/ Denise L. Alvarez

Name Denise L. Alvarez
Title Associate

US BANK NATIONAL ASSOCIATION

By /s/ Kevin S. MeFadden

Name Kevin S. MeFadden

Title Vice President

S-9

[Fourth Amendment 3-Year]

UNION BANK OF CALIFORNIA, N.A.

By /s/ Clifford F. Cho

Name Clifford F. Cho

Title Vice President

S-10

[Fourth Amendment 3-Year]

FIFTH THIRD BANK (CENTRAL OHIO)

By /s/ Christopher D. Jones

Name Christopher D. Jones

Title Vice President

S-11

[Fourth Amendment 3-Year]

BARCLAYS BANK PLC

By /s/ Alison McGuigan

Name Alison McGuigan

Title Associate Director

S-12

[Fourth Amendment 3-Year]

THE BANK OF NEW YORK

By /s/ Kenneth R. McDonnell

Name Kenneth R. McDonnell

Title Vice President

S-13

[Fourth Amendment 3-Year]

BANK OF AMERICA, N.A.

By /s/ Steven A. Mackenzie

Name Steven A. Mackenzie

Title Senior Vice President

S-14

[Fourth Amendment 3-Year]

**FIFTH AMENDMENT TO
CREDIT AGREEMENT (364-DAY)**

This Fifth Amendment to Credit Agreement (364-Day) (this "*Amendment*") is dated as of December 21, 2005 by and among Alliance Data Systems Corporation (the "*Borrower*"), the Guarantor party hereto, the Banks party hereto, and Harris N.A., as Administrative Agent and Letter of Credit Issuer.

WITNESSETH:

WHEREAS, the Borrower, the Guarantor, the Banks, and the Administrative Agent have heretofore executed and delivered a Credit Agreement (364-Day) dated as of April 10, 2003 (as amended by the First Amendment thereto dated as of April 8, 2004, the Second Amendment thereto dated as of October 21, 2004, the Third Amendment thereto dated as of April 7, 2005, and Fourth Amendment thereto dated as of October 28, 2005, the "*Credit Agreement*"); and

WHEREAS, the Borrower, the Guarantor, the Banks and the Administrative Agent desire to amend the Credit Agreement to (i) modify certain covenants and (ii) make certain other amendments to the Credit Agreement as set forth herein;

NOW, THEREFORE, for good and valuable consideration the receipt of which is hereby acknowledged, the Borrower, the Guarantor, the Banks and the Administrative Agent hereby agree as follows:

1. The defined term "*Senior Leverage Ratio*" is hereby amended in its entirety and as so amended shall read as follows:

"Senior Leverage Ratio" means, at any time, the ratio of (x) all amounts owing by the Borrower and its Subsidiaries pursuant to the terms of (i) this Agreement or any other Credit Document, the Related Credit Agreement or the Canadian Credit Agreement to the agents and the lenders thereunder and (ii) any credit agreement, note purchase agreement, indenture or other credit facility relating to Debt permitted by Section 6.15(viii) to (y) Consolidated Operating EBITDA of the Borrower and its Subsidiaries for the twelve months then most recently ended.

2. Section 6.11 of the Credit Agreement is hereby amended in its entirety and as so amended shall read as follows:

Section 6.11. Maximum Total Capitalization Ratio. The Borrower will not permit its Total Capitalization Ratio at any time to be more than 60%.

3. Section 6.12 of the Credit Agreement is hereby amended in its entirety and as so amended shall read as follows:

Section 6.12. Senior Leverage Ratio. The Borrower shall not permit its Senior Leverage Ratio at any time to exceed 2.50 to 1.00.

4. Section 6.15 of the Credit Agreement is hereby amended by deleting clauses (vii), (viii) and (ix) thereof and inserting in their place the following:

(vii) loans and letter of credit reimbursement obligations outstanding from time to time under this Agreement, the Related Credit Agreement and the Canadian Credit Agreement in an aggregate principal amount not to exceed \$550,000,000 (including the Dollar equivalent of Canadian dollar borrowings based on the exchange rate set forth in the Canadian Credit Agreement), (viii) unsecured Debt or Debt secured by the Collateral (or any part thereof) on a *pari passu* basis with, or on a junior basis to, the obligations outstanding from time to time under this Agreement, the Related Credit Agreement and the Canadian Credit Agreement, outstanding from time to time in an aggregate principal amount not to exceed \$600,000,000, (ix) Debt incurred by the Borrower and its Subsidiaries in the nature of a purchase price adjustment in connection with a permitted Restricted Acquisition, and (x) other unsecured Debt of the Borrower and/or its Subsidiaries not to exceed \$10,000,000 in the aggregate outstanding at any time.

5. Section 6.24(7) of the Credit Agreement is hereby amended in its entirety and as so amended shall read as follows: “(7) encumbrances and restrictions contained in Permitted Subordinated Debt and Debt permitted by Section 6.15(viii); and”.

6. The Pricing Schedule set forth in Appendix I to the Credit Agreement is hereby amended by (i) deleting the pricing grid contained therein in its entirety and inserting in its place the following:

| Status | Level I | Level II | Level III | Level IV |
|--------------------------------------|---------|------------------------|-------------------------|-------------------|
| Senior Leverage Ratio | <1.00 | ³ 1.00<1.50 | ³ 1.50 <2.00 | ³ 2.00 |
| Euro-Dollar Margin | 0.50% | 0.75% | 1.00% | 1.25 |
| Applicable Commitment Fee Percentage | .10% | .125% | .15% | .175% |

and (ii) deleting the phrase “*Level III*” appearing in the definitions “*Euro-Dollar Margin*” and “*Applicable Commitment Fee Percentage*” and inserting in its place “*Level IV*.”

7. Each Bank hereby consents to the Debt permitted by Section 6.15(viii) being secured by security interests in the Collateral and authorizes the Administrative Agent and Collateral Agent to execute any amendments, supplements, waivers or consents to the Pledge Agreements, Intercreditor Agreement and any other document executed in connection therewith and to take such other actions as may be requested by the Borrower and as deemed necessary by the Administrative Agent or Collateral Agent in order to secure Debt permitted by Section 6.15(viii) of the Credit Agreement by the Collateral (or any part thereof) on a *pari passu* basis with, or (if so requested by the Borrower) on a junior basis to, the obligations outstanding from time to time under the Credit Agreement, the Related Credit Agreement and the Canadian Credit Agreement.

8. This Amendment shall become effective as of the opening of business on December 21, 2005 (the "*Effective Time*") subject to the conditions precedent that on or before such date:

(a) the Administrative Agent shall have received counterparts hereof executed by the Borrower, the Guarantor and the Required Banks;

(b) the Administrative Agent shall have received certified copies of resolutions of the boards of directors of the Borrower and the Guarantor authorizing the execution and delivery of this Amendment, indicating the authorized signers of this Amendment and the specimen signatures of such signers;

(c) the Borrower shall have paid (i) to each Bank which has executed this Amendment on or prior to December 20, 2005 an amendment fee equal to 0.10% of each such Bank's Commitment and (ii) to the Administrative Agent such other fees as agreed between the Borrower and Administrative Agent.

9.1. To induce the Administrative Agent and the Banks to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Banks that: (a) the representations and warranties contained in the Credit Agreement are true and correct in all material respects as of the date hereof with the same effect as though made on the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date); (b) no Default or Event of Default exists; (c) this Amendment has been duly authorized by all necessary corporate proceedings and duly executed and delivered by the Borrower and the Credit Agreement, as amended by this Amendment, is the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity; and (d) no consent, approval, authorization, order, registration or qualification with any governmental authority is required for, and the absence of which would adversely affect, the

legal and valid execution and delivery or performance by the Borrower of this Amendment or the performance by the Borrower of the Credit Agreement, as amended by this Amendment.

9.2. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment.

9.3. Except as specifically provided above, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. The execution, delivery, and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power, or remedy of the Administrative Agent or any Bank under the Credit Agreement or any Note, nor constitute a waiver or modification of any provision of any of the Credit Agreement or any Note.

9.4. This Amendment and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the law of the State of New York.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION, as
Borrower

By /s/ Robert P. Armink

Name Robert P. Armink
Title SVP & Treasurer

ADS ALLIANCE DATA SYSTEMS, INC., as a Guarantor

By /s/ Robert P. Armink

Name Robert P. Armink
Title SVP & Treasurer

HARRIS N.A. (successor by merger with Harris Trust and Savings Bank),
individually, as Letter of Credit Issuer and as Administrative Agent

By /s/ Mark W. Piekos

Name Mark W. Piekos

Title Managing Director

S-2

[Fifth Amendment 364-Day]

SUNTRUST BANK

By /s/ Timothy M. Oleary

Name Timothy M. Oleary

Title Director

S-3

[Fifth Amendment 364-Day]

WACHOVIA BANK, N.A.

By /s/ Karin E. Samvel

Name Karin E. Samvel

Title Vice President

S-4

[Fifth Amendment 364-Day]

JPMORGAN CHASE BANK, N.A.

By /s/ Michael J. Lister

Name Michael J. Lister

Title Senior Vice President JPMorgan Chase Bank, N.A.

S-5

[Fifth Amendment 364-Day]

HUNTINGTON NATIONAL BANK

By /s/ Staven P. Clemena

Name Staven P. Clemena

Title Vice President

S-6

[Fifth Amendment 364-Day]

CREDIT SUISSE, Cayman Islands Branch (f/k/a
Credit Suisse First Boston, acting through its
Cayman Islands Branch)

By /s/ Alain Droust

Name Alain Droust
Title Director

By /s/ Denise L. Alvarez

Name Denise L. Alvarez
Title Associate

US BANK NATIONAL ASSOCIATION

By /s/ Kevin S. McFadden

Name Kevin S. McFadden

Title Vice President

612-303-3755

S-8

[Fifth Amendment 364-Day]

UNION BANK OF CALIFORNIA, N.A.

By /s/ Clifford F. Cho

Name Clifford F. Cho

Title Vice President

S-9

[Fifth Amendment 364-Day]

FIFTH THIRD BANK (CENTRAL OHIO)

By /s/ Christopher D. Jones

Name Christopher D. Jones

Title Vice President

S-10

[Fifth Amendment 364-Day]

BARCLAYS BANK PLC

By /s/ Alison DcGuigan

Name Alison DcGuigan

Title Associate Director

S-11

[Fifth Amendment 364-Day]

THE BANK OF NEW YORK

By /s/ Kenneth R. McDonnell

Name Kenneth R. McDonnell

Title Vice President

S-12

[Fifth Amendment 364-Day]

BANK OF AMERICA, N.A.

By /s/ Steven A. Mackenzie

Name Steven A. Mackenzie

Title Senior Vice President

S-13

[Fifth Amendment 364-Day]

BANK HAPOLIM B. H.

By /s/ James P. Surless
Name James P. Surless
Title Vice President

By /s/ Charles McLaughlin
Name Charles McLaughlin
Title Senior Vice President

**FOURTH AMENDMENT TO
CREDIT AGREEMENT (CANADIAN)**

This Fourth Amendment to Credit Agreement (Canadian) (this “*Amendment*”) is dated as of December 21, 2005 by and among Loyalty Management Group Canada Inc. (the “*Borrower*”), the Guarantors party hereto, the Banks party hereto, Bank of Montreal, as Letter of Credit Issuer and Harris N.A., as Administrative Agent.

WITNESSETH:

WHEREAS, the Borrower, the Guarantors, the Banks, and the Administrative Agent have heretofore executed and delivered a Credit Agreement (Canadian) dated as of April 10, 2003 (as amended by the First Amendment thereto dated as of October 21, 2004, the Second Amendment thereto dated as of April 7, 2005, and Third Amendment thereto dated as of October 28, 2005, the “*Credit Agreement*”); and

WHEREAS, the Borrower, the Guarantors, the Banks and the Administrative Agent desire to amend the Credit Agreement to (i) modify certain covenants and (ii) make certain other amendments to the Credit Agreement as set forth herein;

NOW, THEREFORE, for good and valuable consideration the receipt of which is hereby acknowledged, the Borrower, the Guarantors, the Banks and the Administrative Agent hereby agree as follows:

1. The defined term “*Senior Leverage Ratio*” is hereby amended in its entirety and as so amended shall read as follows:

“*Senior Leverage Ratio*” means, at any time, the ratio of (x) all amounts owing by ADSC and its Subsidiaries pursuant to the terms of (i) this Agreement or any other Credit Document or either US Credit Agreement to the agents and the lenders thereunder and (ii) any credit agreement, note purchase agreement, indenture or other credit facility relating to Debt permitted by Section 6.15(viii) to (y) Consolidated Operating EBITDA of ADSC and its Subsidiaries for the twelve months then most recently ended.

2. Section 6.11 of the Credit Agreement is hereby amended in its entirety and as so amended shall read as follows:

Section 6.11. Maximum Total Capitalization Ratio. ADSC will not permit its Total Capitalization Ratio at any time to be more than 60%.

3. Section 6.12 of the Credit Agreement is hereby amended in its entirety and as so amended shall read as follows:

Section 6.12. Senior Leverage Ratio. ADSC shall not permit its Senior Leverage Ratio at any time to exceed 2.50 to 1.00.

4. Section 6.15 of the Credit Agreement is hereby amended by deleting clauses (vii), (viii) and (ix) thereof and inserting in their place the following:

(vii) loans and letter of credit reimbursement obligations outstanding from time to time under this Agreement and the US Credit Agreements in an aggregate principal amount not to exceed \$550,000,000 (including the Dollar equivalent of Canadian dollar borrowings based on the exchange rate set forth in this Agreement), (viii) unsecured Debt or Debt secured by the Collateral (or any part thereof) on a *pari passu* basis with, or on a junior basis to, the obligations outstanding from time to time under this Agreement and the US Credit Agreements, outstanding from time to time in an aggregate principal amount not to exceed \$600,000,000, (ix) Debt incurred by ADSC and its Subsidiaries in the nature of a purchase price adjustment in connection with a permitted Restricted Acquisition, and (x) other unsecured Debt of ADSC and/or its Subsidiaries not to exceed \$10,000,000 in the aggregate outstanding at any time.

5. Section 6.24(7) of the Credit Agreement is hereby amended in its entirety and as so amended shall read as follows: “(7) encumbrances and restrictions contained in Permitted Subordinated Debt and Debt permitted by Section 6.15(viii); and”.

6. The Pricing Schedule set forth in Appendix I to the Credit Agreement is hereby amended by (i) deleting the pricing grid contained therein in its entirety and inserting in its place the following:

| Status | Level I | Level II | Level III | Level IV |
|--------------------------------------|---------|------------------------|-------------------------|-------------------|
| Senior Leverage Ratio | <1.00 | ³ 1.00<1.50 | ³ 1.50 <2.00 | ³ 2.00 |
| Euro-Dollar Margin | 0.50% | 0.75% | 1.00% | 1.25 |
| Applicable Commitment Fee Percentage | .10% | .125% | .15% | .175% |

and (ii) deleting the phrase “*Level III*” appearing in the definitions “*Euro-Dollar Margin*” and “*Applicable Commitment Fee Percentage*” and inserting in its place “*Level IV*.”

7. Each Bank hereby consents to the Debt permitted by Section 6.15(viii) being secured by security interests in the Collateral and authorizes the Administrative Agent and Collateral Agent to execute any amendments, supplements, waivers or consents to the Pledge Agreements, Intercreditor Agreement and any other document executed in connection therewith and to take such other actions as may be requested by ADSC and as deemed necessary by the Administrative Agent or Collateral Agent in order to secure Debt permitted by Section 6.15(viii) of the Credit Agreement by the Collateral (or any part thereof) on a *pari passu* basis with, or (if so requested by ADSC) on a junior basis to, the obligations outstanding from time to time under the Credit Agreement or the US Credit Agreements (as defined in the Credit Agreement).

8. This Amendment shall become effective as of the opening of business on December 21, 2005 (the "*Effective Time*") subject to the conditions precedent that on or before such date:

(a) the Administrative Agent shall have received counterparts hereof executed by the Borrower, the Guarantors and the Required Banks;

(b) the Administrative Agent shall have received certified copies of resolutions of the boards of directors of the Borrower and the Guarantors authorizing the execution and delivery of this Amendment, indicating the authorized signers of this Amendment and the specimen signatures of such signers;

(c) the Borrower shall have paid (i) to each Bank which has executed this Amendment on or prior to December 20, 2005 an amendment fee equal to 0.10% of each such Bank's Commitment and (ii) to the Administrative Agent such other fees as agreed between the Borrower and Administrative Agent.

9.1. To induce the Administrative Agent and the Banks to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Banks that: (a) the representations and warranties contained in the Credit Agreement are true and correct in all material respects as of the date hereof with the same effect as though made on the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date); (b) no Default or Event of Default exists; (c) this Amendment has been duly authorized by all necessary corporate proceedings and duly executed and delivered by the Borrower and the Credit Agreement, as amended by this Amendment, is the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity; and (d) no consent, approval, authorization, order, registration or qualification with any governmental authority is required for, and the absence of which would adversely affect, the legal and valid execution and delivery or performance by the Borrower of this Amendment or the performance by the Borrower of the Credit Agreement, as amended by this Amendment.

9.2. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment.

9.3. Except as specifically provided above, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. The execution, delivery, and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power, or remedy of the Administrative Agent or any Bank under the Credit Agreement or any Note, nor constitute a waiver or modification of any provision of any of the Credit Agreement or any Note.

9.4. This Amendment and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the law of the State of New York.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

LOYALTY MANAGEMENT GROUP CANADA INC., as Borrower

By /s/ Robert P. Armink

Name Robert P. Armink

Title SVP & Treasurer

ALLIANCE DATA SYSTEMS CORPORATION, as a Guarantor

By /s/ Robert P. Armink

Name Robert P. Armink

Title SVP & Treasurer

ADS ALLIANCE DATA SYSTEMS, INC., as a Guarantor

By /s/ Robert P. Armink

Name Robert P. Armink

Title SVP & Treasurer

HARRIS N.A. (successor by merger with Harris Trust and Savings Bank), as
Administrative Agent

By /s/ Mark W. Piecos

Name Mark W. Piecos

Title Managing Director

BANK OF MONTREAL, individually and as Letter of Credit Issuer

By /s/ B. Ciallelo

Name _____

Title _____

JPMORGAN CHASE BANK

By /s/ Michael J. Lister

Name Michael J. Lister

Title Senior Vice President JPMorgan Chase Bank, N. A.

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[Fourth Amendment Canadian]