
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):
March 17, 2008

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 8.01. Other Events.

Attached hereto as Exhibit 99.1 and incorporated herein by reference is a copy of a press release issued by Alliance Data Systems Corporation (“Alliance Data” or the “Company”) on March 17, 2008 regarding the notice of breach sent by Alliance Data to Aladdin Solutions, Inc. (formerly known as Aladdin Holdco, Inc.) and Aladdin Merger Sub, Inc. in connection with the previously announced merger agreement pursuant to which affiliates of The Blackstone Group would acquire the Company. A copy of the notice of breach referenced in the press release is attached hereto as Exhibit 99.2.

ITEM 9.01. Financial Statements and Exhibits

(d) Exhibits

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
99.1	Press release dated March 17, 2008.
99.2	Notice of breach sent March 17, 2008.

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: March 17, 2008

By: /s/ Edward J. Heffernan

Edward J. Heffernan
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

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Contact: Alliance Data
Julie Prozeller – Investors/Analysts
Financial Dynamics
212-850-5721
allinacedata@fd.com

Shelley Whiddon – Media
972.348.4310
Shelley.whiddon@allinacedata.com

**ALLIANCE DATA NOTIFIES BLACKSTONE’S AFFILIATES THAT THEY
ARE IN BREACH OF MERGER AGREEMENT**

DALLAS, Texas, March 17, 2008 – Alliance Data Systems Corporation (NYSE: ADS), a leading provider of transaction-based loyalty and marketing services, today notified Aladdin Solutions, Inc. (f/k/a Aladdin Holdco, Inc.) and Aladdin Merger Sub, Inc., affiliates of The Blackstone Group, that they are in breach of the May 17, 2007 merger agreement providing for the acquisition of Alliance Data by Blackstone. Aladdin Solutions and Aladdin Merger Sub were formed by Blackstone for purposes of the acquisition. The notice demands that the Blackstone affiliates cure the breaches and consummate the transaction.

“Blackstone’s affiliates are contractually obligated to use their reasonable best efforts to satisfy their respective obligations under the merger agreement and complete the transaction,” said Robert A. Minicucci, chairman of the special committee of the board of directors of Alliance Data. “The terms of the agreement are very clear. Instead, Blackstone and its affiliates continue to refuse to meet reasonable and customary regulatory requirements as an excuse to avoid completing the transaction.

“By seeking to delay favorable resolution of these regulatory approvals, Blackstone and its affiliates are attempting to ‘run out the clock’ on the transaction. Although they appear to have developed a case of buyer’s remorse, Blackstone and its affiliates are still required to comply with the terms of the agreement. We must assume that Blackstone’s motivation is unrelated to conditions at Alliance Data, as the Company continues to deliver strong performance even in these challenging economic times,” concluded Minicucci.

Alliance Data’s notice specifies that Blackstone’s affiliates have not satisfied their contractual obligations under the merger agreement to use reasonable best efforts to obtain the requisite regulatory approvals to complete the transaction. Blackstone and its affiliates have instead continued to prolong negotiations with the Office of the Comptroller of the Currency (“OCC”) and the Federal Deposit Insurance Corporation (“FDIC”), refusing to accept reasonable and customary requirements relating to the provision of “source of strength” and other assurances in support of Alliance Data’s banks.

One of the businesses Alliance Data owns is World Financial Network National Bank. The OCC has a longstanding policy requiring that parent companies of a bank agree to provide support to the bank, when necessary, to maintain the bank’s minimum capital and liquidity levels in cases when the controlling owner of a national bank is an entity that is not a regulated bank holding company. Alliance Data has entered into such agreements. The FDIC articulated a similar position in early 2007 — prior to the execution of the merger agreement — with respect to non-bank holding companies that sought to control industrial loan companies, such as Alliance Data’s World Financial Capital Bank.

Alliance Data Notifies Blackstone's Affiliates That They Are In Breach Of Merger Agreement – continued

On January 25, 2008 Blackstone notified Alliance Data that it believed the regulatory approval condition to completing the transaction would not be satisfied and later confirmed that they did not intend to pursue the matter further with the OCC. In response, Alliance Data filed suit in the Delaware Court of Chancery on January 30, 2008, seeking to cause the Blackstone entities to perform their obligations under the merger agreement. Thereafter, in court filings, correspondence with federal regulators and public statements, Blackstone and its affiliates acknowledged their contractual obligations and committed to work to consummate the acquisition of the Company, including working with Alliance Data on proposals to resolve the regulatory issues. Based on these assurances, on February 8, 2008, Alliance Data withdrew without prejudice its litigation.

Although Alliance Data disagreed with the overall approach taken by Blackstone in the discussions with the OCC and FDIC as well as with certain positions taken by Blackstone in those discussions, Alliance Data has worked cooperatively and in good faith with Blackstone to try to resolve the OCC- and FDIC-related regulatory issues that Blackstone has said are impediments to completing the merger.

Although it has no obligation to resolve regulatory matters that Blackstone and its affiliates claim are roadblocks to completing the deal, in a good faith attempt to resolve the purported issues, and to facilitate the completion of the transaction, Alliance Data proposed to recommend a reduced price to Alliance Data's stockholders to provide approximately \$465 million in credit support to satisfy the banking regulators. Blackstone rejected the proposal and suggested that Alliance Data's stockholders provide additional concessions and subsidies.

Alliance Data continues to work to consummate the transaction and demands that the Blackstone affiliates honor their existing legal commitments and obligations under the merger agreement.

About Alliance Data

Alliance Data (NYSE: ADS) is a leading provider of marketing, loyalty and transaction services, managing over 120 million consumer relationships for some of North America's most recognizable companies. Using transaction-rich data, Alliance Data creates and manages customized solutions that change consumer behavior and that enable its clients to create and enhance customer loyalty to build stronger, mutually beneficial relationships with their customers. Headquartered in Dallas, Alliance Data employs over 9,000 associates at more than 60 locations worldwide. Alliance Data's brands include AIR MILES[®], North America's premier coalition loyalty program, and Epsilon[®], a leading provider of multi-channel, data-driven technologies and marketing services. For more information about the Company, visit its website, www.AllianceData.com.

Alliance Data's Safe Harbor Statement/Forward-Looking Statements

This release may 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 our filings with the Securities and Exchange Commission.

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 presentation reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. These risks, uncertainties and assumptions include those made with respect to and any developments related to the proposed merger with an affiliate of The Blackstone Group, including the risk that conditions to closing, including the condition relating to regulatory approvals, may not be satisfied and that the proposed merger may not be consummated, as well as risks and uncertainties arising from actions that the respective parties to the merger agreement may take in connection therewith or in connection with the matters set forth in this release. The Company cannot provide any assurance that the conditions to closing the transaction will be satisfied or that the proposed merger will be completed. We have no intention, and disclaim any obligation, to update or revise any forward-looking statements, whether as a result of new information, future results or otherwise.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: Statements in this presentation regarding Alliance Data Systems Corporation’s business which are not historical facts are “forward-looking statements” that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” in the company’s Annual Report on Form 10-K for the most recently ended fiscal year. Risk factors may be updated in Item 1A in each of the Company’s Quarterly Reports on Form 10-Q for each quarterly period subsequent to the Company’s most recent Form 10-K.

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March 17, 2008

VIA ELECTRONIC DELIVERY and
NATIONAL OVERNIGHT COURIER

Aladdin Holdco, Inc. (n/k/a Aladdin Solutions, Inc.)
Aladdin Merger Sub, Inc.
c/o The Blackstone Group
345 Park Avenue
New York, New York 10154
Attention: Paul C. Schorr IV

Re: Agreement and Plan of Merger dated as of May 17, 2007, among Alliance Data Systems Corporation (“ADS” or the “Company”), Aladdin Holdco, Inc. (n/k/a Aladdin Solutions, Inc.) (“Parent”) and Aladdin Merger Sub, Inc. (“Merger Sub”) (the “Merger Agreement”)

Dear Mr. Schorr:

ADS hereby gives notice to Parent and Merger Sub of the following breaches of the Merger Agreement:

Section 6.5.1 – Parent and Merger Sub agreed to use “reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable under the applicable Laws to consummate and make effective, in the most expeditious manner practicable, the transactions provided for in this Agreement including, but not limited to (i) preparing and filing as soon as practicable . . . all forms, registrations and notices required to be filed to consummate the transactions contemplated by this Agreement and the taking of such actions as are necessary to obtain any requisite approvals. . . relating to banking or other regulatory matters, including (c) filings pursuant to any federal or state banking Laws, including the Change in Bank Control Act, the Bank Merger Act, the Bank Holding Company Act of 1956, as amended, and the Home Owners’ Loan Act, as amended, [and] (ii) causing the satisfaction of all conditions set forth in Article 7. . . .” Parent and Merger Sub have breached this provision by, among other things, failing to timely obtain, and failing to cause to be timely obtained, approval by the Office of the Comptroller of the Currency (the “OCC”) and the Federal Deposit Insurance Corporation (the “FDIC”). As recently as March 13, Blackstone has engaged in protracted negotiations with the OCC, and at no time have you or your affiliates simply requested

that the OCC and FDIC issue the approvals. The breach of Section 6.5.1 further includes, without limitation, attempting to delay the approval process to a date beyond the Termination Date,¹ taking positions that Blackstone knew or should have known the OCC would find unacceptable and not conducive to obtaining the approvals (despite ADS's recommendations that the OCC's requests and positions be accepted), making offers that Blackstone knew or should have known the OCC would reject, and deciding that Blackstone did not like and was unwilling (as opposed to being unable) to accept terms proposed by the OCC. In addition, Parent and Merger Sub breached this provision by voluntarily and materially modifying the Debt Commitment Letters, specifically by agreeing to the October 12, 2007 Project Aladdin Amendment to Amended and Restated Commitment (the "Debt Amendment"),² effectively giving away more than \$400,000,000 of the Company's assets to the banks before having satisfied the conditions to closing.

Section 6.5.3 – Parent and Merger Sub agreed that they would "furnish all information required to be included in any application or other filing to be made pursuant to the rules and regulations of any Governmental Entity in connection with the transactions provided for in this Agreement." Parent and Merger Sub have breached this provision by, among other things, failing to be responsive to the OCC's information request in its January 23, 2008 letter to Blackstone's banking counsel, as outlined in the OCC's March 5, 2008 letter. The OCC stated in its March 5th letter that the failure by Blackstone to be responsive to its previous request for information has resulted in Blackstone's Change in Bank Control Act Notice being incomplete.

Section 6.5.4 – Parent and Merger Sub agreed that they would "subject to Section 6.5.5 below, respond as promptly as reasonably practicable under the circumstances . . . to all inquiries and requests received from any state or federal banking regulator. . . ." Parent and Merger Sub breached this provision by failing to respond to several inquiries and responses from the OCC and the FDIC as promptly as reasonably practicable under the circumstances, including, without limitation, as specifically noted by the OCC in its March 5 letter.

Section 6.5.6 – Parent and Merger Sub agreed that they would not, and that they would cause each member of the Parent Group to not, take or cause or permit to be taken any action "which would reasonably be expected to prevent or materially impair or delay the consummation of the transactions contemplated by this Agreement." Parent and Merger Sub breached this provision by, without limitation, taking (and failing to cause members of the Parent Group not to take) positions before the OCC and the FDIC that Parent and Merger Sub knew would frustrate or delay the approval process, and submitting (and

¹ Except where noted, capitalized terms herein have the meanings assigned in the Merger Agreement.

² This October 12, 2007 Project Aladdin Amendment to the Amended and Restated Commitment Letter is between Aladdin Merger Sub, Inc., and each of Credit Suisse, Credit Suisse Securities (USA) LLC, Bank of America, N.A., Banc of America Securities LLC, Banc of America Bridge LLC, Lehman Commercial Paper Inc., Lehman Brothers Commercial Bank, Lehman Brothers Inc., Deutsche Bank AG New York Branch, Deutsche Bank AG Cayman Islands Branch, Deutsche Bank Securities Inc., Bank of Montreal, BMO Capital Markets Corp., SunTrust Bank and SunTrust Capital Markets, Inc.

failing to cause members of the Parent Group not to submit) proposals to the OCC that Parent and Merger Sub knew would be rejected, thus preventing and materially impairing the consummation of the transactions contemplated by the Merger Agreement. Parent and Merger Sub also breached this provision by voluntarily agreeing to the Debt Amendment, pledging more than \$400,000,000 of the Company's assets to the banks before having satisfied the conditions to closing.

Section 6.14.1 – Parent and Merger Sub agreed that the Debt Commitment Letters would not be “amended or superseded” in a manner that would “reasonably be expected to delay or prevent the Closing.” As detailed above, Parent and Merger Sub breached this provision by entering into the Debt Amendment.

Section 5.3.2 – Parent and Merger Sub represented, among other things, that the “performance by Parent and Merger Sub of this Agreement do not require any consent, approval, authorization or permit of... any... other Person,” which would include The Blackstone Group and Blackstone Capital Partners V. To avoid obtaining regulatory approvals, the Blackstone entities have now taken the position that Parent and Merger Sub do not have (and, in fact, never had) the power and authority to perform their obligations under the Merger Agreement and to consummate the transactions provided in the Merger Agreement, including those obligations set out in Section 6.5.1 and 6.14, without the consent, approval, authorization or permit of their upstream affiliates. This position constitutes a breach of the representations in Section 5.3.2. Moreover, this position also constitutes a breach of the representations in Section 5.2.

Section 5.6.1 – Parent and Merger Sub represented that “the aggregate proceeds contemplated by the Commitments, when funded in accordance with their terms, together with the available cash of the Company, will in the aggregate be sufficient to (i) consummate the Merger upon the terms contemplated by this Agreement . . . and (iii) pay all related fees and expenses.” Parent and Merger Sub have breached this provision by, without limitation, claiming that the debt commitment and equity commitment are not sufficient to enable the regulatory approvals to be obtained.

While ADS is not required to detail or explain these breaches, the preceding non-exhaustive list is provided to aid in curing said breaches, to the extent the breaches are curable, as provided for in Section 8.1(c)(i), and ADS reserves the right to assert any and all other breaches of the Merger Agreement in the future. ADS demands that Parent and Merger Sub perform their respective obligations under the Merger Agreement so that the remaining conditions to Closing can be satisfied and the transaction consummated.

We also notify you under Section 6.6 of the Merger Agreement that these breaches are likely to cause the failure of one or more conditions to Closing.

Sincerely,

/s/ J. Michael Parks

J. Michael Parks
Chief Executive Officer

cc: Alan M. Utay
Wilson S. Neely
Thomas W. Christopher
Jeffrey D. Symons
Joseph L. Motes III