

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):
October 22, 2007

ALLIANCE DATA SYSTEMS CORPORATION

(Exact name of registrant as specified in its 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 (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01 Entry into a Material Definitive Agreement.

As previously announced, Alliance Data Systems Corporation (“*Alliance Data*” or the “*Company*”) has agreed to be merged with Aladdin Merger Sub, Inc. (the “*Merger Sub*”) pursuant to the Agreement and Plan of Merger (the “*Merger Agreement*”), dated as of May 17, 2007, among the Company, Aladdin Holdco, Inc. and Merger Sub, with the Company continuing as the surviving corporation (the “*Merger*”). Upon completion of the Merger, the Company will become an affiliate of The Blackstone Group.

On October 22, 2007, Alliance Data entered into an amendment (the “*Amendment*”) to the Note Purchase Agreement dated as of May 1, 2006 (the “*Note Purchase Agreement*”) in respect of the \$250 million aggregate principal amount of its 6.00% Senior Notes, Series A, due May 16, 2009 and the \$250 million aggregate principal amount of its 6.14% Senior Notes, Series B, due May 16, 2011 (collectively, the “*Notes*”) with all of the Holders (as defined in the Note Purchase Agreement) providing for a mandatory prepayment of all of the Notes on the date that the Merger is consummated, provided that the Merger is consummated not later than January 1, 2008. The Notes shall be repaid at 100% of the principal amount plus accrued and unpaid interest to the date of prepayment and the Make-Whole Amount (as defined in the Note Purchase Agreement) as determined for the prepayment date in accordance with the terms of the Amendment. The obligation of the Company to prepay the Notes pursuant to the terms of the Amendment is subject to and conditioned upon the occurrence of the Merger and shall be void and of no force and effect in the event that the Merger is abandoned or does not occur on or prior to January 1, 2008.

The foregoing summary of the Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which is attached as Exhibit 10.1 hereto and incorporated by reference herein.

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

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

ITEM 8.01. Other Events.

On October 15, 2007, Merger Sub announced that it had commenced a cash tender offer (the “*Tender Offer*”) in respect of the Notes. In connection with the Tender Offer, Merger Sub also solicited consents to proposed amendments to the Notes and the Note Purchase Agreement that would, among other things, eliminate substantially all of the restrictive covenants, eliminate certain of the events of default and modify or eliminate certain other provisions contained in the Notes and the Note Purchase Agreement. On October 15, 2007, the Company also announced that, pursuant to the terms of the Note Purchase Agreement, it had commenced a mandatory cash offer (the “*Prepayment Offer*,” and together with the Tender Offer, the “*Offers*”) to prepay all, but not less than all, of the Notes held by each Holder.

In connection with the Amendment, Merger Sub announced on October 23, 2007 that it has terminated its previously announced Tender Offer in respect of the Notes and the related consent solicitation to amend the terms of the Notes and the Note Purchase Agreement. In addition, the Company announced on October 23, 2007 that it has terminated its previously announced Prepayment Offer for the Notes. It is expected that the prepayment contemplated by the Amendment will be made in lieu of the Offers following the consummation of the Merger.

A copy of the press release is attached as Exhibit 99.1 to this report and is incorporated herein by reference.

ITEM 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
10.1	First Amendment to Note Purchase Agreement, dated as of October 22, 2007, by and among Alliance Data Systems Corporation and the Holders party thereto.
99.1	Press Release dated October 23, 2007 entitled "Note Purchase Agreement for Alliance Data Debt Securities Amended; Cash Tender Offer and Related Consent Solicitation and Prepayment Offer Terminated."

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: October 23, 2007

By: /s/ Edward J. Heffernan

Edward J. Heffernan
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

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ALLIANCE DATA SYSTEMS CORPORATION

FIRST AMENDMENT TO
NOTE PURCHASE AGREEMENT

\$500,000,000
Senior Notes

\$250,000,000 6.00% Senior Notes, Series A, due May 16, 2009
\$250,000,000 6.14% Senior Notes, Series B, due May 16, 2011

Dated as of October 22, 2007

To the Holders of the Senior Notes
of Alliance Data Systems Corporation
Named in the Attached Schedule I

Ladies and Gentlemen:

Reference is made to the Note Purchase Agreement dated as of May 1, 2006 (the "Note Agreement") between Alliance Data Systems Corporation, a Delaware corporation (the "Company"), and you pursuant to which the Company issued \$500,000,000 aggregate principal amount of its Senior Notes, consisting of \$250,000,000 6.00% Senior Notes, Series A, due May 16, 2009 and \$250,000,000 6.14% Senior Notes, Series B, due May 16, 2011 (collectively, the "Notes"). You are referred to herein individually as a "Holder" and collectively as the "Holders." Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Note Agreement, as amended by this First Amendment to Note Purchase Agreement (this "First Amendment").

The Company has entered into an Agreement and Plan of Merger dated as of May 17, 2007 with Aladdin Holdco, Inc. and Aladdin Merger Sub, Inc. pursuant to which Aladdin Merger Sub, Inc. will merge with and into the Company. After completion of the Blackstone Merger, the Company will be an affiliate of The Blackstone Group. The Company requests that the Holders consent to amendments to the Note Agreement relating to the prepayment of the Notes in connection with the Blackstone Merger.

In consideration of the premises and for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Company and the Holders agree as follows:

1. AMENDMENT OF NOTE AGREEMENT

1.1 Amendment of Section 8.2. The following Section 8.2(c) is added to the Note Agreement to read in its entirety as follows:

(c) Prepayment in Connection with the Blackstone Merger.

(i) Mandatory Prepayment. Having heretofore given notice to the holders of the Control Event in respect of the pending Blackstone Merger, promptly after the effective date of the First Amendment, and in any event within 5 days, the Company shall give notice of prepayment of all Notes pursuant to Section 8.2(c), which notice shall not be rescindable except in the event that the Company provides a certificate from a Responsible Officer to each holder certifying that efforts to effect the Blackstone Merger have ceased or been abandoned, with an estimated prepayment date of November 14, 2007 or such other date as the Blackstone Merger is scheduled to occur; provided such date is not later than January 1, 2008 (the date on which prepayment is made, the "Blackstone Prepayment Date"), and shall prepay all, but not less than all, of the Notes held by each holder (in this case only, "holder" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner (any such disclosed beneficial owner being identified on Schedule I to the First Amendment) shall mean such beneficial owner) on the Blackstone Prepayment Date, at 100% of the principal amount so prepaid, accrued and unpaid interest on the Notes accrued to the date of prepayment and the Make-Whole Amount determined for the prepayment date with respect to such principal amount (in aggregate, the "Prepayment Amount"). Any prepayment made pursuant to this Section 8.2(c)(i) shall be made in accordance with the provisions of Section 14.2, except that payment by the Company to the holders will be made to The Bank of New York (or such other bank as the Company shall so select with notice to the Holders (the "Paying Agent"), which shall act as paying agent for the purposes of dispensing payment to the holders in accordance with Schedule A to the Note Agreement. Upon payment of the Prepayment Amount by the Company to the Paying Agent, the debt represented by the Notes shall be satisfied and discharged and the provisions of Sections 7, 8, 9 and 10 shall cease to have effect; provided that if the First Amendment shall cease to be effective in accordance with Section 2 of the First Amendment, the provisions of Section 7, 8, 9 and 10 shall automatically be reinstated.

(ii) Notices. Two Business Days prior to the Blackstone Prepayment Date, the Company will send to each holder notice under this Section 8.2(c) specifying the proposed Blackstone Prepayment Date (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid, the principal amount of each Note held by such holder, and the interest to be paid on the proposed Blackstone Prepayment Date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated using the Reinvestment Yield on the date prior to such notice and assuming that the Settlement Date in respect of the Notes will be the date of the proposed Blackstone Prepayment Date set forth in such notice), setting forth the details of such computation.

(iii) Deferral. The obligation of the Company to prepay Notes pursuant to Section 8.2(c)(i) is subject to and conditioned upon the occurrence of the Blackstone Merger and shall be void and of no force and effect in the event the Blackstone Merger does not occur. In the event that the Blackstone Merger does not occur on or prior to the proposed Blackstone Prepayment Date set forth in a notice, the prepayment shall be

deferred until and shall be made on the date on which the Blackstone Merger occurs (and, so long as a new notice is not required pursuant to the terms of the immediately following sentence, the Make-Whole Amount need not be recalculated and shall be the same amount as set forth in the most recent notice provided to holders of the Notes in accordance with Section 8.2(c)(ii)). Notwithstanding the foregoing, in the event that the prepayment has not been made within 5 Business Days after such proposed Blackstone Prepayment Date by virtue of the deferral provided for in this Section 8.2(c)(iii), two Business Days prior to any new proposed Blackstone Prepayment Date, the Company shall deliver to each holder of Notes a new notice and certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount (calculated as provided in Section 8.2(c)(ii)) and the interest to be paid as of such new proposed Blackstone Prepayment Date. The Company may continue to defer the Blackstone Prepayment Date as provided in this Section 8.2(c)(iii) for so long as the First Amendment remains effective.

(iv) Deemed Change in Control Offer. A prepayment notice by the Company under this Section 8.2(c) shall be deemed to satisfy the obligations of the Company under Section 8.3 and rescind any previous offer made by the Company under Section 8.3 with respect to the Blackstone Merger.

1.2 Defined Terms. The following new definitions are added to Schedule B, in the appropriate alphabetical order:

“Blackstone Merger” means the merger of Aladdin Merger Sub, Inc. with and into the Company with the Company continuing as the surviving corporation pursuant to the terms of that certain Agreement and Plan of Merger dated as of May 17, 2007 by and among Aladdin Holdco, Inc., Aladdin Merger Sub, Inc. and the Company.

“Blackstone Prepayment Date” is defined in Section 8.2(c).

“First Amendment” means the First Amendment to Note Purchase Agreement, dated as of October 22, 2007 among the Company and the holders of the Notes.

2. EFFECTIVE DATE

This First Amendment shall be deemed to be effective as of October 22, 2007 upon Execution by each Holder of Notes outstanding and receipt by the Holders of a counterpart of this First Amendment duly executed by the Company. Notwithstanding the foregoing, the First Amendment shall cease to be effective upon the occurrence of one or more of the following events:

2.1 Blackstone Merger. The Company shall have provided evidence to the Holders that the Blackstone Merger has been abandoned or the Blackstone Merger has not been consummated prior to January 1, 2008.

2.2 Blackstone Tender Offer. The Offer to Purchase and Consent Solicitation dated as of October 15, 2007 has not been rescinded or revoked prior to October 26, 2007 provided that each Holder of Notes shall have delivered a signed counterpart of this First Amendment prior to October 23, 2007.

2.3 Expenses. The Company has failed to pay all fees and expenses of Foley & Lardner LLP, special counsel to the Holders, within 10 days after receipt of an invoice.

3. MISCELLANEOUS

3.1 Representations of Holders. Each Holder represents and warrants to the Company that it or its nominee is the registered holder of the aggregate principal amount of Notes set forth opposite such Holder's name on Schedule I to this First Amendment, and that it has full power and authority to execute and deliver this First Amendment with respect to the Notes set forth opposite such Holder's name on Schedule I to this First Amendment. Each Holder hereby confirms the accuracy of the payment instructions set forth in Schedule A to the Note Agreement unless such Holder shall have otherwise advised the Company in writing after the date of this First Amendment and not less than two Business Days prior to the Blackstone Prepayment Date.

3.2 Ratification. Except as amended hereby, the Note Agreement, including the representations and warranties contained therein, shall remain in full force and effect and is ratified, approved and confirmed in all respects as of the date hereof.

3.3 Reference to and Effect on the Note Amendment. Upon the final effectiveness of this First Amendment, each reference in the Note Agreement and in other documents describing or referencing the Note Agreement to the "Agreement," "Note Agreement," "hereunder," "hereof," "herein," or words of like import referring to the Note Agreement, shall mean and be a reference to the Note Agreement, as amended hereby.

3.4 Binding Effect. This First Amendment shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

3.5 Governing Law. This First Amendment shall be governed by and construed in accordance with New York law.

3.6 Counterparts; Facsimile. This First Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but altogether only one instrument. Further, this First Amendment may be executed by facsimile signatures and such facsimile signatures shall be deemed to be the original signatures of the parties.

IN WITNESS WHEREOF, the Company and the Holders have caused this First Amendment to be executed and delivered by their respective officer or officers thereunto duly authorized.

ALLIANCE DATA SYSTEMS CORPORATION

By: /s/ Michael D. Kubic

Name: Michael D. Kubic

Title: Senior Vice President, Controller and
Chief Accounting Officer

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[Signature page to First Amendment to Note Purchase Agreement]

By: AIG Global Investment Corp., investment adviser

By: /s/ Ted Etlinger
Name: Ted Etlinger
Title: Vice President

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[Signature page to First Amendment to Note Purchase Agreement]

METROPOLITAN LIFE INSURANCE COMPANY

 /s/ Frank Monfalcone

Name: Frank Monfalcone

Title: Director

METLIFE INSURANCE COMPANY OF CONNECTICUT

 /s/ Frank Monfalcone

Name: Frank Monfalcone

Title: Director

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[Signature page to First Amendment to Note Purchase Agreement]

AMERICAN STATES LIFE INSURANCE
COMPANY, an Indiana corporation

By: Principal Global Investors, LLC
a Delaware limited liability company,
its authorized signatory

By: /s/ Joellen J. Watts

Its: Joellen J. Watts,
Counsel

By: /s/ Alan P. Kress

Its: Alan P. Kress,
Counsel

PRINCIPAL LIFE INSURANCE COMPANY,
ON BEHALF OF ONE OR MORE SEPARATE ACCOUNTS

By: Principal Global Investors, LLC
a Delaware limited liability company,
its authorized signatory

By: /s/ Joellen J. Watts

Its: Joellen J. Watts,
Counsel

By: /s/ Alan P. Kress

Its: Alan P. Kress,
Counsel

PRINCIPAL LIFE INSURANCE COMPANY

By: Principal Global Investors, LLC
a Delaware limited liability company,
its authorized signatory

By: /s/ Joellen J. Watts

Its: Joellen J. Watts,
Counsel

By: /s/ Alan P. Kress

Its: Alan P. Kress,
Counsel

SYMETRA LIFE INSURANCE COMPANY,
a Washington corporation

By: Principal Global Investors, LLC
a Delaware limited liability company,
its authorized signatory

By: /s/ Christopher J. Henderson

Its: Christopher J. Henderson,
Vice President and Associate General Counsel

By: /s/ Colin Pennycooke

Its: Colin Pennycooke,
Counsel

VANTISLIFE INSURANCE COMPANY,
a Connecticut company

By: Principal Global Investors, LLC
a Delaware limited liability company,
its authorized signatory

By: /s/ Christopher J. Henderson

Its: Christopher J. Henderson,
Vice President and Associate General Counsel

By: /s/ Colin Pennycooke

Its: Colin Pennycooke,
Counsel

ALLSTATE LIFE INSURANCE COMPANY

By: /s/ Robert B. Bodett
Name: Robert B. Bodett

By: /s/ Breege A. Farrell
Name: Breege A. Farrell

Authorized Signatories

ALLSTATE INSURANCE COMPANY

By: /s/ Robert B. Bodett
Name: Robert B. Bodett

By: /s/ Breege A. Farrell
Name: Breege A. Farrell

Authorized Signatories

By: /s/ Howard Stern
Name: Howard Stern
Title: Its Authorized Representative

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[Signature page to First Amendment to Note Purchase Agreement]

By: /s/ Mark E. Dunn
Name: Mark E. Dunn
Title: Vice President

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[Signature page to First Amendment to Note Purchase Agreement]

HARTFORD LIFE INSURANCE COMPANY

By: Hartford Investment Management Company

Its: Agent and Attorney-in-Fact

By: /s/ Eva Konopka

Name: Eva Konopka

Title: Senior Vice President

PHYSICIANS LIFE INSURANCE COMPANY

By: Hartford Investment Management Company

Its: Investment Advisor

By: /s/ Eva Konopka

Name: Eva Konopka

Title: Senior Vice President

NEW YORK LIFE INSURANCE COMPANY

By: /s/ R. Edward Ferguson
Name: R. Edward Ferguson
Title: Vice President

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

By: New York Life Investment Management LLC,
its Investment Manager

By: /s/ R. Edward Ferguson
Name: R. Edward Ferguson
Title: Managing Director

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT

By: New York Life Investment Management LLC, its Investment Manager

By: /s/ R. Edward Ferguson
Name: R. Edward Ferguson
Title: Managing Director

/s/ Thomas S. Leggett

Thomas S. Leggett
Authorized Signatory

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[Signature page to First Amendment to Note Purchase Agreement]

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Brian Lemons
Vice President

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

By: Prudential Investment Management, Inc.,
as investment manager

By: /s/ Brian Lemons
Vice President

FARMERS NEW WORLD LIFE INSURANCE COMPANY

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Brian Lemons
Vice President

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By: /s/ Ellen I. Whittaker
Name: Ellen I Whittaker
Title: Director, Fixed Income Investments

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

By: /s/ Ellen I Whittaker
Name: Ellen I Whittaker
Title: Director, Fixed Income Investments

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[Signature page to First Amendment to Note Purchase Agreement]

By: /s/ Brian Noecke
Name: Brian Noecke
Title: Director

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[Signature page to First Amendment to Note Purchase Agreement]

By: /s/ Glen J. Vanic
Name: Glen J. Vanic
Title: Sr. Managing Director

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[Signature page to First Amendment to Note Purchase Agreement]

By: Allianz of America, Inc. as the authorized signatory and investment manager

By: /s/ Gary Brown

Name: Gary Brown

Title: Assistant Treasurer

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[Signature page to First Amendment to Note Purchase Agreement]

By: /s/ Diane W. Dales
Name: Diane W. Dales
Title: Assistant Vice President

By: /s/ Cathy Schwartz
Name: Cathy Schwartz
Title: Assistant Secretary

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[Signature page to First Amendment to Note Purchase Agreement]

Fidelity Life Association

By: Advantus Capital Management, Inc.

By: /s/ Theodore R. Hoxmeier

Name: Theodore R. Hoxmeier

Title: Vice President

MTL Insurance Company

By: Advantus Capital Management, Inc.

By: /s/ Theodore R. Hoxmeier

Name: Theodore R. Hoxmeier

Title: Vice President

Great Western Insurance Company

By: Advantus Capital Management, Inc.

By: /s/ Theodore R. Hoxmeier

Name: Theodore R. Hoxmeier

Title: Vice President

The Catholic Aid Association

By: Advantus Capital Management, Inc.

By: /s/ Theodore R. Hoxmeier

Name: Theodore R. Hoxmeier

Title: Vice President

American Fidelity Assurance Company

By: Advantus Capital Management, Inc.

By: /s/ Theodore R. Hoxmeier

Name: Theodore R. Hoxmeier

Title: Vice President

American Republic Insurance Company

By: Advantus Capital Management, Inc.

By: /s/ Theodore R. Hoxmeier

Name: Theodore R. Hoxmeier

Title: Vice President

Trustmark Insurance Company

By: Advantus Capital Management, Inc.

By: /s/ Joseph Gogola

Name: Joseph Gogola

Title: Vice President

GuideOne Property & Casualty Insurance Company

By: Advantus Capital Management, Inc.

By: /s/ Joseph Gogola

Name: Joseph Gogola

Title: Vice President

Security National Life Insurance Company

By: Advantus Capital Management, Inc.

By: /s/ Joseph Gogola

Name: Joseph Gogola

Title: Vice President

Fort Dearborn Life Insurance Company

By: Advantus Capital Management, Inc.

By: /s/ Joseph Gogola

Name: Joseph Gogola

Title: Vice President

Blue Cross and Blue Shield of Florida, Inc.

By: Advantus Capital Management, Inc.

By: /s/ Joseph Gogola

Name: Joseph Gogola

Title: Vice President

CUNA MUTUAL LIFE INSURANCE COMPANY

By: MEMBERS Capital Advisors, Inc., acting as Investment Advisor:

By /s/ James E. McDonald, Jr.

Name: James E. McDonald, Jr.

Title: Director, Private Placements

CUNA MUTUAL INSURANCE SOCIETY

By: MEMBERS Capital Advisors, Inc., acting as Investment Advisor:

By /s/ James E. McDonald, Jr.

Name: James E. McDonald, Jr.

Title: Director, Private Placements

CUMIS INSURANCE SOCIETY, INC.

By: MEMBERS Capital Advisors, Inc., acting as Investment Advisor:

By /s/ James E. McDonald, Jr.

Name: James E. McDonald, Jr.

Title: Director, Private Placements

MEMBERS LIFE INSURANCE COMPANY

By: MEMBERS Capital Advisors, Inc., acting as Investment Advisor:

By /s/ James E. McDonald, Jr.

Name: James E. McDonald, Jr.

Title: Director, Private Placements

By: /s/ Rachel Stauffer
Name: Rachel Stauffer
Title: Vice President

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[Signature page to First Amendment to Note Purchase Agreement]

By: Aviva Capital Management, Inc.,
its authorized attorney-in-fact

By: /s/ Roger D. Tors
Name: Roger D. Tors
Title: VP Private Placements

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[Signature page to First Amendment to Note Purchase Agreement]

By: /s/ Phillip Hannifan
Name: Phillip Hannifan
Title: Investment Director

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[Signature page to First Amendment to Note Purchase Agreement]

By: /s/ Jed R. Martin
Name: Jed R. Martin
Title: Vice President, Private Placements

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[Signature page to First Amendment to Note Purchase Agreement]

**Note Purchase Agreement for Alliance Data Debt Securities Amended;
Cash Tender Offer and Related Consent Solicitation and
Prepayment Offer Terminated**

DALLAS/NEW YORK, October 23, 2007—As previously announced, Alliance Data Systems Corporation (“Alliance Data” or the “Company”) has agreed to be merged with Aladdin Merger Sub, Inc. (“Merger Sub”) pursuant to the Agreement and Plan of Merger (the “Merger Agreement”), dated as of May 17, 2007, among the Company, Aladdin Holdco, Inc. and Merger Sub, with the Company continuing as the surviving corporation (the “Merger”). Upon completion of the Merger, the Company will become an affiliate of The Blackstone Group.

The Company announced today that it has entered into an amendment to the Note Purchase Agreement dated as of May 1, 2006 (the “Note Purchase Agreement”) in respect of its 6.00% Senior Notes, Series A, due May 16, 2009 and the 6.14% Senior Notes, Series B, due May 16, 2011 (collectively, the “Notes”) with all of the Holders (as defined in the Note Purchase Agreement) providing for the prepayment of the Notes concurrent with the completion of the Merger at a price equal to the principal amount so prepaid, plus accrued and unpaid interest on the Notes to the date of prepayment and the Make-Whole Amount (as defined in the Note Purchase Agreement) (the “Amendment”). The Company’s prepayment obligation pursuant to the Amendment is subject to and conditioned upon the completion of the Merger.

In connection with the Amendment, Merger Sub announced today that it has terminated its previously announced cash tender offer (the “Tender Offer”) in respect of the Notes and the related consent solicitation to amend the terms of the Notes and the Note Purchase Agreement. In addition, the Company announced today that it has terminated its previously announced prepayment offer for the Notes (the “Prepayment Offer,” and together with the Tender Offer, the “Offers”). It is expected that the prepayment contemplated by the Amendment will be made in lieu of the Offers following the consummation of the Merger.

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.

About Aladdin Merger Sub, Inc.

Aladdin Merger Sub, Inc. is a newly-formed Delaware corporation organized for the purposes of the acquisition by The Blackstone Group of Alliance Data pursuant to the Merger Agreement.

Forward-Looking Statements

This release may contain forward-looking statements. Such statements may use words such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “predict”, “project” and similar expressions as they relate to Merger Sub, Alliance Data or their management. When forward-looking statements are made, they are based on management’s beliefs and assumptions, using information currently available to them. Although management believes 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 filings by Alliance Data with the Securities and Exchange Commission. Such risks include, without limitation, the ability of the parties to the Merger Agreement to satisfy the conditions to closing specified therein.

If one or more of these or other risks or uncertainties materialize, or if underlying assumptions prove to be incorrect, actual results may vary materially from what may have been projected. Any forward-looking statements contained in this news release reflect current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to Alliance Data’s operations, results of operations, growth strategy and liquidity. These risks, uncertainties and assumptions include those made with respect to the Merger and the Offers. Alliance Data cannot provide any assurance that any of these transactions will be completed. Neither Merger Sub nor Alliance Data have any intention, and both disclaim any obligation, to update or revise any forward-looking statements, whether as a result of new information, future results or otherwise.

Statements in this press release regarding Alliance Data’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 Alliance Data’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 Alliance Data’s Quarterly Reports on Form 10-Q for each quarterly period subsequent to its most recent Form 10-K.

Investors, Ed Heffernan, CFO, +1-972-348-5191, Ed.Heffernan@alliancedata.com, or Shelley Whiddon, Director, External Communications, +1-972-348-4310, Shelley.Whiddon@alliancedata.com, both of Alliance Data; or John Ford, Senior Vice President, Corporate Communications and Public Relations of The Blackstone Group, +1-212-583-5559, ford@blackstone.com