

ALLIANCE DATA SYSTEMS CORP  
 Form 4  
 February 25, 2009

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 Kennedy Bryan J

2. Issuer Name and Ticker or Trading Symbol  
 ALLIANCE DATA SYSTEMS CORP [ADS]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
 17655 WATERVIEW PARKWAY  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 02/23/2009

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
 EVP & President, Mktg. Svcs.

DALLAS, TX 75252

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				(A) or (D) Code V Amount (D) Price			
Common Stock	02/23/2009		F <sup>(1)</sup>	5,970 D \$ 28.92	71,332	D	
Common Stock	02/23/2009		A <sup>(2)</sup>	22,347 A 22	93,679	D	
Common Stock	02/23/2009		A <sup>(3)</sup>	30,000 A 31	123,679 <sup>(4)</sup>	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

number.

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reporting Transaction (Instr. 6)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Kennedy Bryan J 17655 WATERVIEW PARKWAY DALLAS, TX 75252			EVP & President, Mktg. Svcs.	

## Signatures

Leigh Ann K. Epperson, Attorney  
in Fact 02/25/2009

\*\*Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) 5,970 shares were withheld by the Company to satisfy the Reporting Person's tax withholding obligation upon the vesting of restricted stock units.
- (2) The new grant is for 22,347 shares of common stock represented by time-based restricted stock units. The restrictions will lapse on 11,173 shares on 2/23/10 and on 11,174 shares on 2/23/11.  
  
The new grant is for a total of 30,000 shares of common stock represented by performance-based restricted stock units, which may be adjusted down at the time the performance restriction lapses. The restriction may lapse with respect to 9,900 shares on each of 2/23/10 and 2/23/11 and with respect to 10,200 shares on 2/23/12 contingent on meeting a cash earnings per share growth hurdle for 2009. The award has a 10% cash EPS growth threshold to achieve 50% of the target award, with 100% of the target award obtained by achieving 17% cash EPS growth in 2009.
- (4) The total number of securities beneficially owned includes: (a) 26,407 unrestricted shares; (b) 705 unvested shares from an original award of 2,071 time-based restricted stock units granted 2/21/07; (c) 24,321 unvested shares from an original award of 36,300 performance-based restricted stock units granted 4/28/08; (d) 19,899 unvested shares from an original award of 29,700 time-based restricted stock units granted 4/28/08; (e) the new grant for 22,347 time-based restricted stock units; and (f) the new grant for 30,000 performance-based restricted stock units.

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