

ALLIANCE DATA SYSTEMS CORP
 Form 4
 February 24, 2010

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)
 02/22/2010

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 EVP & President, Epsilon

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)			
			Code	V	Amount or Price					
Common Stock	02/22/2010		A ⁽¹⁾		5,354	A	①	109,912	D	
Common Stock	02/22/2010		A ⁽²⁾		21,416	A	②	131,328	D	
Common Stock	02/22/2010		F ⁽³⁾		2,844	D		\$ 56.92	128,484	D
Common Stock	02/23/2010		F ⁽³⁾		7,658	D		\$ 56.17	120,826 ⁽⁴⁾	D
									⁽⁵⁾ ⁽⁶⁾	

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

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(9-02)

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 Transaction (Instr. 6)
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Reporting Owners

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

Signatures

Leigh Ann K. Epperson, Attorney
in Fact 02/24/2010

__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) The new grant is for 5,354 shares of common stock represented by time-based restricted stock units. The restrictions will lapse on 1,766 units on 2/22/11, on 1,767 units on 2/22/12 and on 1,821 units on 2/22/13, subject to continued employment by the Reporting Person on the vesting dates.
- (2) The new grant is for 21,416 shares of common stock represented by performance-based restricted stock units, which may be adjusted up or down at the time the performance restriction lapses. The restriction may lapse with respect to 33% of such shares on each of 2/22/11 and 2/22/12 and with respect to 34% of such shares on 2/22/13 contingent on meeting a cash earnings per share growth hurdle for 2010 and subject to continued employment by the Reporting Person on the vesting dates.
- (3) Shares withheld by the Company to satisfy the Reporting Person's tax withholding obligation upon the vesting of restricted stock units.
- (4) The total number of securities beneficially owned includes: (a) 49,200 unrestricted shares; (b) 10,098 unvested shares from an original award of 29,700 time-based restricted stock units granted 4/28/08; (c) 11,174 unvested shares from an original award of 22,347

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time-based restricted stock units granted 2/23/09; (d) 17,688 unvested shares from an award of 26,400 performance-based restricted stock units granted 2/23/09; (e) 5,896 unvested shares from an award of 8,800 performance-based restricted stock units granted 3/2/09; (f) the new grant for 5,354 time-based restricted stock units; and (g) the new grant for 21,416 performance-based restricted stock units.

- (5) Based on the Company's cash EPS growth in 2009, 88% of the original award of 30,000 performance-based restricted stock units granted 2/23/09, or 26,400 units, were earned. The restrictions will lapse with respect to 8,712 units on 2/23/11 and with respect to 8,976 units on 2/23/12, subject to continued employment by the Reporting Person on the remaining vesting dates.

- (6) Based on the Company's cash EPS growth in 2009, 88% of the original award of 10,000 performance-based restricted stock units granted 3/2/09, or 8,800 units, were earned. The restrictions will lapse with respect to 2,904 units on 2/23/11 and with respect to 2,992 units on 2/23/12, subject to continued employment by the Reporting Person on the remaining vesting dates.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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