

ALLIANCE DATA SYSTEMS CORP
Form 11-K
June 06, 2014

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

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-15749

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Alliance Data Systems
401(k) and Retirement Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Alliance Data Systems Corporation
7500 Dallas Parkway, Suite 700
Plano, Texas 75024

Alliance Data Systems 401(k) and Retirement Savings Plan

Financial Statements and Supplemental Information
Years Ended December 31, 2013 and 2012

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* All other financial schedules required by Section 2520.103-10 of the U.S. Department of Labor's Annual Reporting and Disclosure Requirements under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Alliance Data
Systems Corporation, Compensation Committee of
the Board of Directors and Plan Administrator
of the Alliance Data Systems 401(k) and
Retirement Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the Alliance Data Systems 401(k) and Retirement Savings Plan (the "Plan") as of December 31, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2013 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Ary Roepcke Mulchaey, P.C.

Columbus, Ohio
June 6, 2014

Alliance Data Systems 401(k) and Retirement Savings Plan
 Statements of Net Assets Available for Benefits
 December 31, 2013 and 2012

	2013	2012
Assets:		
Investments at fair value	\$490,532,021	\$342,673,058
Cash	1,813,805	135,458
Receivable for contributions:		
Employer	10,499,821	11,046,784
Participants	-	180,218
Total contributions receivable	10,499,821	11,227,002
Notes receivable from participants, net of allowance for defaulted loans	9,058,338	6,265,829
Due from brokers	9,390,003	235,550
Accrued fees	26,481	29,086
Total assets	521,320,469	360,565,983
Liabilities:		
Administrative fees payable	154,152	124,077
Due to broker	10,859,683	281,385
Total liabilities	11,013,835	405,462
Net assets reflecting investments at fair value	510,306,634	360,160,521
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(125,793)	(299,310)
Net assets available for benefits	\$510,180,841	\$359,861,211

See accompanying notes.

Alliance Data Systems 401(k) and Retirement Savings Plan
 Statements of Changes in Net Assets Available for Benefits
 For the Years Ended December 31, 2013 and 2012

	2013	2012
Additions:		
Investment income:		
Net appreciation in fair value of investments	\$90,295,405	\$36,932,661
Interest and dividends	1,144,856	6,990,394
Fee income	119,358	235,237
Total investment income	91,559,619	44,158,292
Interest on notes receivable from participants	410,856	316,978
Contributions:		
Employer	27,976,494	24,239,806
Participants	37,547,548	27,752,147
Rollovers	21,247,605	5,351,928
Total contributions	86,771,647	57,343,881
Total additions	178,742,122	101,819,151
Deductions:		
Distributions to participants	27,727,030	38,976,911
Administrative expenses	695,462	584,146
Total deductions	28,422,492	39,561,057
Net increase	150,319,630	62,258,094
Net assets available for benefits:		
Beginning of year	359,861,211	297,603,117
End of year	\$510,180,841	\$359,861,211

See accompanying notes.

Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

1. Description of the plan

General

The Alliance Data Systems 401(k) and Retirement Savings Plan (the "Plan") is a defined contribution plan covering certain employees of ADS Alliance Data Systems, Inc. ("ADSI") and its affiliates (the "Employer"). Employees of the Employer that are 18 years of age, (21 years of age prior to January 1, 2013), are generally eligible to participate immediately. Seasonal, temporary, and on-call employees who perform more than 1,000 hours of service within one year are also eligible.

The Plan was amended and restated as of January 1, 2013, with certain provisions effective as of November 1, 2012, to among other things, change the eligibility age as noted above.

The Plan was amended as of November 1, 2012, to, among other things, allow for Roth elective deferrals as noted below.

The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") as amended.

Contributions

Employer's Contributions

The Employer may authorize a discretionary profit sharing contribution ("Profit Sharing Contribution") for eligible classes of employees, which will be a specified percentage of the participant's eligible compensation as defined by the Plan ("Eligible Compensation") and may be integrated with Social Security to the extent permitted under the Internal Revenue Code ("Code"). To be eligible, a participant must not have separated from service as of the end of the Plan year unless due to death, total and permanent disability, or retirement on or after normal retirement age. The annual Eligible Compensation of each participant taken into account under the Plan is limited to the maximum amount permitted under Section 401(a)(17) of the Code. The annual Eligible Compensation limit for the Plan years ended December 31, 2013 and 2012 was \$255,000 and \$250,000, respectively.

The Profit Sharing Contribution for the years ended December 31, 2013 and 2012 was \$9,925,914 and \$10,771,581, respectively.

The Employer will provide a 100% matching contribution on the first 3% and 50% on the next 2% of a participant's voluntary contributions based on a payroll period basis for participants who have completed either 180 days of uninterrupted service with the Employer or a year of eligibility service, which ever occurs first. As of the end of the Plan year, the Employer will provide a true up matching contribution based on the above percentages, voluntary contributions, and Eligible Compensation for the Plan year.

Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

1. Description of the plan (continued)

Contributions (continued)

Participant's Voluntary Contributions

A participant may elect to make voluntary contributions of 1% to 85% of his or her annual Eligible Compensation. The participant may designate their voluntary contributions as tax-deferred, after-tax Roth, after-tax regular contributions, or any combination thereof. Tax-deferred and after-tax Roth contributions are limited to the maximum permitted under Section 402(g) of the Code adjusted annually (\$17,500 and \$17,000 at December 31, 2013 and 2012, respectively). Regular after-tax contributions are limited by the Code based on total employee and Employer contributions to the participant. Prior to November 1, 2012 an after-tax Roth contribution election was not available. Sections 401(k)(3) and 401(m)(3) of the Code may limit the voluntary contribution.

A participant age 50 and over before the close of the Plan year may elect a catch-up voluntary tax-deferred or after-tax contribution up to \$5,500 for the Plan years ended December 31, 2013 and 2012.

A participant may also contribute amounts representing a distribution from another qualified defined benefit or defined contribution plan (rollover).

Investment options

The participant directs both their own and the Employer's contributions into the investment alternatives offered by the Plan. At any time, participants may also elect to reallocate existing account balances between investment alternatives or to change their investment elections for future contributions. The Plan currently offers fourteen common collective trusts, seven mutual funds, self-directed brokerage accounts, and the Employer's common stock ("Employer Securities") as investment alternatives. The Employer periodically reviews and may make changes to the investment alternatives available. On July 31, 2013, the Plan replaced its series of twelve Vanguard Target Retirement target date mutual funds with twelve Vanguard Fiduciary Trust Company Target Retirement target date common collective trust funds. If a participant makes no investment election, all contributions made into such participant's account are invested in the Plan's qualified default investment alternative ("QDIA"). The Plan's QDIA is the age-appropriate Vanguard Fiduciary Trust Company Target Retirement target date fund, which is selected based on the participant's date of birth.

Participant accounts

The Plan credits each participant's account with the participant's contributions and allocations of 1) the Employer's contributions, 2) investment earnings, and 3) administrative expenses. The benefit to which a participant is entitled is equal to the vested balance in the participant's account.

Alliance Data Systems 401(k) and Retirement Savings Plan
 Notes to Financial Statements
 December 31, 2013 and 2012

1. Description of the plan (continued)

Vesting

A participant is fully and immediately vested for voluntary, rollover, and Employer matching contributions provided after December 31, 2004, and is credited with a year of vesting service in the Employer's other contributions for each Plan year that the participant is credited with at least 500 hours of service.

A summary of vesting percentages relating to the Employer's Profit Sharing Contributions follows:

For all associates employed as of or subsequent to January 1, 2007:

Years of vested service	Percentage
Less than 3 years	0%
3 years	100

For all associates terminated prior to January 1, 2007:

Years of vested service	Percentage
Less than 5 years	0%
5 years	100

A summary of vesting percentages relating to Employer's matching contributions provided prior to December 31, 2004 follows:

Years of vested service	Percentage
Less than 1 year	0%
1 year	20
2 years	40
3 years	60
4 years	80
5 years	100

Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

1. Description of the plan (continued)

Payment of benefits

The full value of participants' accounts becomes payable upon retirement, disability, or death. Upon termination of employment for any other reason, participants' accounts, to the extent vested, become payable. Those participants with vested account balances greater than \$1,000 have the option of leaving their accounts invested in the Plan until age 70 1/2. All benefits are paid as a lump-sum distribution. Those participants holding shares of Employer Securities will have the option of receiving such amounts in whole shares of Employer Securities and cash for any fractional shares. Participants have the option of having their benefit paid directly to an eligible retirement plan or individual retirement account specified by the participant.

In service withdrawals

A participant may elect to withdraw an amount in cash from the participant's after-tax account and their rollover account.

A participant, upon reaching age 59 1/2, may withdraw up to 100% of the participant's vested account balance.

A participant may request a hardship distribution due to an immediate and heavy financial need based on the terms of the Plan.

Participant loans

Participants are permitted to borrow from their account the lesser of \$50,000 or 50% of the vested balance of their account with repayment made from payroll deductions. All loans become due and payable in full upon a participant's termination of employment with the Employer. The borrowing is a separate earmarked investment of the participant's account. Interest on the borrowing is based on the prime interest rate as reported in the Wall Street Journal on the first business day of the month in which the loan occurs plus two percent.

Amounts allocated to participants withdrawn from the Plan

There were no amounts allocated, but not yet paid, to participants withdrawn from the Plan at December 31, 2013 and \$74,811 at December 31, 2012.

Forfeitures

The Plan may use forfeitures to reduce Employer contributions or pay Plan expenses if so elected. The Plan used forfeitures to reduce Employer contributions by \$448,607 and \$311,720 for the years ended December 31, 2013 and 2012, respectively. There were no unused forfeitures at December 31, 2013 and 2012.

Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

1. Description of the plan (continued)

Fee Income

Revenue sharing and sub transfer fees received from certain of the investments are credited to an administrative account and can be used to reduce administrative fees charged to participants. These fees are reported in the Plan's financial statements as fee income. During 2013 and 2012, the Plan used \$548 and \$112,059, respectively, to reduce fees charged directly to participants' accounts. As of December 31, 2013 and 2012, there was unused fee income of \$277,023 and \$151,933, respectively. These balances represent unallocated amounts.

Expenses

Expenses are charged to participant's accounts, excluding those paid directly by the Employer, unless paid from fee income and have been reported in the financial statements as administrative expenses. Brokerage fees, transfer taxes and other expenses incurred in connection with the investments of the Plan's assets increases the cost of investments purchased or deducted from the proceeds of investments sold.

2. Summary of accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, including investment valuation and income recognition.

Estimates

The Plan's financial statements are prepared in conformity with U.S. generally accepted accounting principles ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of net assets available for Plan benefits at the date of the financial statements and the changes in net assets available for Plan benefits during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

Risks

The Plan provides for the various investment options as described in Note 1. Any investment is exposed to various risks, such as interest rate, market, and credit risks. These risks could result in a material effect on participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

2. Summary of accounting policies (continued)

Net appreciation in fair value of investments

Net realized and unrealized appreciation is presented in the accompanying statements of changes in net assets available for benefits as net appreciation in fair value of investments.

Benefit payments

Benefits are recorded when paid.

Notes receivable from participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. An allowance for defaulted loans of \$23,426 and \$74,300 has been recorded for December 31, 2013 and 2012, respectively, with the change recorded under distributions.

Investment valuation and income recognition

Investments held by the Plan are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). See Note 3 for further discussion and disclosures related to fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis using fair market value, except for those investments in investment contracts, which are transacted at contract value. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

The Wells Fargo Stable Return Fund invests in fully benefit-responsive investment contracts. The fund is recorded at fair value (see Note 3); however, since these contracts are fully benefit-responsive, an adjustment is reflected in the statements of net assets available for benefits to present these investments at contract value. Contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. Contract value represents contributions plus earnings, less participant withdrawals and administrative expenses.

Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

3. Fair value measurements

Accounting Standards Codification (“ASC”) 820 establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include

- quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; or

• inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded and are classified within Level 1 of the valuation hierarchy.

Mutual funds: Valued at the Net Asset Value (“NAV”) of shares held at the closing price reported in an active market on which the funds are traded and are classified within Level 1 of the valuation hierarchy.

Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

3. Fair value measurements (Continued)

Common collective trusts: Valued at the respective NAV as reported by such trusts, which are reported at fair value. The value of each unit is determined by subtracting total liabilities from the total value of the assets, including accrued income, and dividing the amount remaining by the number of units outstanding on the valuation date. The Plan does not have any contractual obligations to further invest in these trusts. See Note 5 “Restrictions” below. The NAV is a quoted price in a market that is not active and classified within Level 2 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan’s investment assets at fair value as of December 31, 2013 and 2012:

	Assets at fair value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Large blend	\$19,416,684	\$-	\$-	\$19,416,684
Large value	17,855,563	-	-	17,855,563
Intermediate term bond	11,990,520	-	-	11,990,520
Foreign large blend	11,384,826	-	-	11,384,826
Small value	9,484,163	-	-	9,484,163
Mid-cap growth	5,903,748	-	-	5,903,748
Large growth	37,228	-	-	37,228
Common stock				
Finance	45,057,788	-	-	45,057,788
Common collective trusts				
Target dated (a)	-	336,677,202	-	336,677,202
Stable value (b)	-	15,846,106	-	15,846,106
Large growth (c)	-	8,378,831	-	8,378,831
Self-managed brokerage				
Common stocks	3,691,452	-	-	3,691,452
Common stocks foreign	408,348	-	-	408,348
Mutual funds	3,000,610	-	-	3,000,610
Interest bearing cash	1,398,952	-	-	1,398,952
Total	\$129,629,882	\$360,902,139	\$-	\$490,532,021

Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

3. Fair value measurements (continued)

	Assets at fair value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Target dated	\$252,297,839	\$-	\$-	\$252,297,839
Intermediate term bond	12,455,978	-	-	12,455,978
Large blend	11,137,430	-	-	11,137,430
Large value	9,024,898	-	-	9,024,898
Foreign large blend	6,816,755	-	-	6,816,755
Large growth	5,300,890	-	-	5,300,890
Small value	4,369,534	-	-	4,369,534
Mid-cap growth	2,205,534	-	-	2,205,534
Common stock				
Finance	21,686,351	-	-	21,686,351
Common collective trust				
Stable value (b)	-	10,618,284	-	10,618,284
Self-managed brokerage				
Common stocks	2,681,877	-	-	2,681,877
Common stocks foreign	469,999	-	-	469,999
Mutual funds	2,365,724	-	-	2,365,724
Interest bearing cash	1,241,965	-	-	1,241,965
Total	\$332,054,774	\$10,618,284	\$-	\$342,673,058

- (a) The trusts are target dated trusts based on estimated retirement dates which seek current income and some capital appreciation for the most current retirement date and move more to capital appreciation and some current income as the retirement dates become later. The trusts invest primarily in mutual funds.
- (b) The trust seeks to maintain principle value, protect against market price volatility, obtain consistent income return, and provide liquidity for benefit payments and withdrawals. The trust invests primarily in investment contracts issued by insurance companies, banks and other financial institutions.
- (c) The trust seeks long-term capital appreciation. The trust invests primarily in large cap common stocks with market capitalizations generally in the range of the companies in the Russell 1000 Growth Index.

Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

4. Investments

Wells Fargo Bank, N.A., as trustee of the Plan, holds the Plan's investments. Prior to May 1, 2012, Charles Schwab Trust Company was the trustee.

The following table presents balances for 2013 and 2012 for the Plan's current investments. Investments that represent five percent or more of the Plan's net assets and Employer Securities are separately identified.

	2013		2012	
Investments at fair value as determine by:				
Quoted Market price				
Common stock				
Alliance Data Systems Corporation	\$45,112,478	*	\$21,690,694	*
Other	4,045,110		3,151,876	
Shares of registered investment companies				
Vanguard Target Retirement 2035 Fund	-	**	52,242,367	
Vanguard Target Retirement 2030 Fund	-	**	51,588,649	
Vanguard Target Retirement 2025 Fund	-	**	41,906,592	
Vanguard Target Retirement 2040 Fund	-	**	34,063,813	
Vanguard Target Retirement 2020 Fund	-	**	25,773,219	
Other	80,472,294		101,637,564	
	129,629,882		332,054,774	
Estimated fair value				
Units in common collective trust				
Vanguard Fiduciary Trust Company				
Target Retirement 2035 Trust II	72,234,881		-	**
Target Retirement 2030 Trust II	63,822,588		-	**
Target Retirement 2025 Trust II	53,317,069		-	**
Target Retirement 2040 Trust II	50,316,377		-	**
Target Retirement 2020 Trust II	31,329,433		-	**
Target Retirement 2045 Trust II	26,859,070		-	**
Other	63,022,721		10,618,284	
	360,902,139		10,618,284	
	\$490,532,021		\$342,673,058	

* Includes \$54,690 and \$4,343 held under self directed brokerage accounts as of December 31, 2013 and 2012, respectively.

** Shown for comparative purposes only.

Alliance Data Systems 401(k) and Retirement Savings Plan
 Notes to Financial Statements
 December 31, 2013 and 2012

4. Investments (continued)

During 2013 and 2012, the Plan's investments (including investments bought, sold, and held during each year) appreciated as follows:

	2013	2012
Shares of registered investment companies	\$44,183,483	\$30,111,709
Common collective trust	25,991,958	404,048
Common stock	20,119,964	6,416,904
Net appreciation	\$90,295,405	\$36,932,661

5. Restrictions

The declaration of trust for the Wells Fargo Stable Return Fund contains a restriction that the trustee of the fund may impose, in its sole discretion a prior notice period of up to 12 months for any Employer initiated withdrawal of assets from the fund. At December 31, 2013, no prior period notice has been imposed.

6. Tax status

The Plan obtained its latest determination letter on January 6, 2010, in which the Internal Revenue Service ("IRS") stated that the Plan was designed in accordance with the applicable requirements of the Code. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. Although the Plan has been amended and restated since the version that the determination letter applies to, the Plan administration believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code.

GAAP requires management responsible for the Plan to evaluate uncertain tax positions. The financial statement effect of a tax position is recognized when the position is more likely than not, based on the financial merits, to be sustained upon examination by the IRS. The Plan's administrator has analyzed the tax positions, and has concluded that as of December 31, 2013, there are no uncertain tax positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan's administrator believes it is no longer subject to income tax examination for years prior to 2010.

7. Plan administration

A committee comprised of members appointed by the compensation committee of the board of directors of the Employer administers the Plan.

Alliance Data Systems 401(k) and Retirement Savings Plan
 Notes to Financial Statements
 December 31, 2013 and 2012

8. Plan termination

Although the Employer has not expressed any intent to do so, the Employer has the right under the Plan to discontinue its contributions at any time. The Employer has the right at any time, by action of its board of directors, to terminate the Plan subject to provisions of ERISA. Upon Plan termination or partial termination, participants will become fully vested in their accounts.

9. Party-in-interest

As of December 31, 2013 and 2012, the Plan's investment portfolio includes an investment in the common stock of Alliance Data Systems Corporation, a party-in-interest to the Plan.

Wells Fargo Bank, N.A., trustee of the Plan, and Charles Schwab Trust Company, former trustee of the Plan, their subsidiaries and affiliates maintain and manage certain of the investments of the Plan, for which the Plan is charged investment expenses.

10. Reconciliation of financial statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to Form 5500:

	2013	2012
Net assets available for benefits per the financial statements	\$510,180,841	\$359,861,211
Amounts allocated to withdrawing participants	-	(74,811)
Adjustments from fair value to contract value	125,793	299,310
Net assets available for benefits per Form 5500	\$510,306,634	\$360,085,710

Alliance Data Systems 401(k) and Retirement Savings Plan
Notes to Financial Statements
December 31, 2013 and 2012

10. Reconciliation of financial statements to Form 5500 (continued)

The following is a reconciliation of benefit payments per the financial statements to Form 5500:

	2013
Benefit payments per the financial statements	\$27,727,030
Amount allocated to withdrawing participants	
At December 31, 2013	-
At December 31, 2012	(74,811)
Reserves for defaulted loans	
At December 31, 2013	(23,426)
At December 31, 2012	74,300
Corrective distributions	(17,244)
Benefit payments per Form 5500	\$27,685,849

The following is a reconciliation of the net increase in net assets available for benefits per the financial statement to Form 5500:

	2013
Net increase in net assets per the financial statements	\$150,319,630
Change in amounts allocated to withdrawing participants	74,811
Change in adjustment from fair value to contract value	(173,517)
Net income per Form 5500	\$150,220,924

11. Subsequent events

Effective January 1, 2014, the Plan was amended and restated, to among other things, change the Employer matching to 100% on the first 5% of a participant's voluntary contributions based on a payroll period basis for participants who have completed either 180 days of uninterrupted service with the Employer or a year of eligibility service, which ever occurs first.

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Alliance Data Systems 401(k) and Retirement Savings Plan

EIN #13-3163498 Plan #001

Schedule H, Line 4i

Schedule of Assets (Held at End of Year)

December 31, 2013

(a)	(b)	(c)	(d)	(e)
	Identity of issuer, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	(1) Cost	Current Value
*	Alliance Data Systems Corporation	Common stock – 171,368 shares		\$45,057,788
	Vanguard Fiduciary Trust Company Target Retirement 2035 Trust II	Common collective trust – 2,981,217 units		72,234,881
	Vanguard Fiduciary Trust Company Target Retirement 2030 Trust II	Common collective trust – 2,634,032 units		63,822,588
	Vanguard Fiduciary Trust Company Target Retirement 2025 Trust II	Common collective trust – 2,151,617 units		53,317,069
	Vanguard Fiduciary Trust Company Target Retirement 2040 Trust II	Common collective trust – 2,040,405 units		50,316,377
	Vanguard Fiduciary Trust Company Target Retirement 2020 Trust II	Common collective trust – 1,239,297 units		31,329,433
	Vanguard Fiduciary Trust Company Target Retirement 2045 Trust II	Common collective trust – 1,089,617 units		26,859,070
*	Wells Fargo Stable Return Fund	Common collective trust – 1,384,900 units		15,846,106
	Vanguard Fiduciary Trust Company Target Retirement 2050 Trust II	Common collective trust – 489,069 units		12,114,240
	Vanguard Fiduciary Trust Company Target Retirement 2015 Trust II	Common collective trust – 457,500 units		11,794,344
	Delaware Large Cap Growth Trust	Common collective trust – 389,170 units		8,378,831
	Vanguard Fiduciary Trust Company Target Retirement 2010 Trust II	Common collective trust – 298,693 units		7,751,074
	Vanguard Fiduciary Trust Company Target Retirement Income Trust II	Common collective trust – 129,668 units		3,651,465
	Vanguard Fiduciary Trust Company Target Retirement 2055 Trust II	Common collective trust – 76,534 units		2,540,913
	Vanguard Fiduciary Trust Company Target Retirement 2060 Trust II	Common collective trust – 36,139 units		945,748
	Vanguard Institutional Index Fund	Mutual fund – 114,702 shares		19,416,684
	Dodge & Cox Stock Fund	Mutual fund – 105,736 shares		17,855,563
	Pimco Total Return Fund	Mutual fund – 1,121,658 shares		11,990,520

The notes to the financial statements are an integral part of this schedule.

Alliance Data Systems 401(k) and Retirement Savings Plan

EIN #13-3163498 Plan #001

Schedule H, Line 4i

Schedule of Assets (Held at End of Year)

December 31, 2013

(a)	(b)	(c)	(d)	(e)
	Identity of issuer, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	(1) Cost	Current Value
	American Funds EuroPacific Growth Fund	Mutual fund – 232,012 shares		11,384,826
	Columbia Small Cap Value Fund	Mutual fund – 512,381 shares		9,484,163
*	Wells Fargo Advantage Discovery Fund	Mutual fund – 167,530 shares		5,903,748
	John Hancock III Rainer Growth Fund	Mutual fund – 1,353 shares		37,228
	Self Directed Brokerage Accounts			8,499,362
*	Participant Loans	3.25% - 9.50%	-	9,058,338

* Represents a party-in-interest

(1) Cost information omitted – investment is part of individual account plan that a participant or beneficiary directed with respect to assets allocated to his or her account.

The notes to the financial statements are an integral part of this schedule.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on their behalf by the undersigned hereunto duly authorized.

Date: June 6, 2014

ALLIANCE DATA SYSTEMS 401(k) AND RETIREMENT SAVINGS PLAN

By: /s/ Karen Wald
Karen Wald
Senior Vice President, Corporate Affairs

INDEX TO EXHIBITS

Exhibit No.	Description
* 23.01	Consent of Independent Registered Public Accounting Firm

* filed herewith
