

ALLIANCE DATA SYSTEMS CORP
Form 8-K
October 28, 2016

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 24, 2016

ALLIANCE DATA SYSTEMS CORPORATION
(Exact Name of Registrant as Specified in Charter)

DELAWARE	001-15749	31-1429215
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7500 DALLAS PARKWAY, SUITE 700
PLANO, TEXAS 75024
(Address and Zip Code of Principal Executive Offices)

(214) 494-3000
(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

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Pre-commencement communications pursuant to Rule 13e-4(c) under the
Exchange Act

Item 1.01 Entry into a Material Definitive Agreement.

Purchase Agreement

On October 24, 2016, Alliance Data Systems Corporation, as the issuer (the "Company"), and certain of its subsidiaries, as guarantors, entered into a purchase agreement (the "Purchase Agreement") with Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the representative of the initial purchasers named in the Purchase Agreement (the "Initial Purchasers"), under which it agreed to sell \$500 million aggregate principal amount of its 5.875% senior notes due 2021 (the "Notes") to the Initial Purchasers. The Company and the subsidiary guarantors of the Notes have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"), or to contribute to payments the Initial Purchasers may be required to make because of any such liabilities. The offering of the Notes closed on October 27, 2016. The description of the Purchase Agreement herein is qualified in its entirety by reference to the full text of such Purchase Agreement, a copy of which is attached hereto as Exhibit 10.1 and incorporated by reference herein.

Indenture

The Notes are governed by an indenture (the "Indenture") dated as of October 27, 2016 among the Company, certain of its subsidiaries as guarantors, and Regions Bank, as trustee. Pursuant to the Indenture, interest on the Notes will accrue at a rate of 5.875% per annum on the principal amount from October 27, 2016, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2017. The Notes will mature on November 1, 2021, subject to earlier repurchase or redemption.

Guarantees

The Notes are guaranteed on a senior unsecured basis by each of the Company's existing and future domestic restricted subsidiaries that guarantees its domestic credit agreement.

Ranking

The Notes rank equally in right of payment with the Company's existing and future senior unsecured debt, including indebtednesses under the Company's credit agreement and existing senior notes, and senior in right of payment to any future debt that is expressly subordinated in right of payment to the Notes. The guarantees rank equally in right of payment with all of the guarantors' existing and future senior unsecured indebtedness, including their guarantees of indebtedness under the Company's credit agreement and its existing senior notes, and senior in right of payment to any future debt that is expressly subordinated in right of payment to the guarantees. The Notes and the guarantees are effectively subordinated to the Company's and guarantors' secured debt to the extent of the value of the assets securing such debt. The Notes and the guarantees are structurally subordinated to all existing and future liabilities (including trade payables) of the Company's subsidiaries that do not guarantee the Notes.

Optional Redemption

The Company may redeem some or all of the Notes at any time at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the applicable redemption date and the applicable premium specified in the Indenture. Prior to November 1, 2018, the applicable premium is a "make-whole" amount; on or after such date, the applicable premium is specified in a table in the Indenture. In addition, at any time prior to November 1, 2018, the Company may, with an amount equal to the net cash proceeds of one or more qualified equity offerings, as defined in the Indenture, redeem up to 35% of the aggregate principal amount of the outstanding Notes at a redemption price equal to 105.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the applicable redemption date, provided that such redemption occurs within 90 days following the closing of such qualified equity offering.

Change of Control; Mandatory Offer to Repurchase Following Certain Asset Sales

Upon the occurrence of certain kinds of changes of control, the Company must offer to purchase the Notes at 101% of their principal amount, plus accrued and unpaid interest to the date of purchase. If, within 365 days after the sale of certain assets of the Company or its restricted subsidiaries, as defined in the Indenture, the Company does not either repay certain debt or reinvest the excess proceeds of such asset sales as set forth in the Indenture, the Company must offer to use such excess proceeds to repurchase the Notes on the terms set forth in the Indenture.

Covenants

The Indenture contains covenants that limit, among other things, the Company's ability and the ability of some of its subsidiaries to (i) incur additional debt, (ii) declare or pay dividends, redeem stock or make other distributions to stockholders, (iii) make investments, (iv) create liens or use assets as security in other transactions, (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all of the Company's assets, (vi) enter into transactions with affiliates, (vii) sell or transfer certain assets and (viii) enter into any consensual encumbrance or restriction on the ability of certain of the Company's subsidiaries to pay dividends or make loans or sell assets. The covenants are subject to a number of important qualifications, exceptions and limitations.

Events of Default

The Indenture includes customary events of default, including, among other things, payment default, covenant default, certain defaults under other indebtedness of the Company or certain of its subsidiaries, the failure to timely satisfy judgments over a certain sum against the Company or certain of its subsidiaries, and bankruptcy, insolvency or reorganization affecting the Company or certain of its subsidiaries.

No Registration Rights

The Company will not file a registration statement for the resale of the Notes. As a result, holders may only resell the Notes pursuant to an exemption from the registration requirements of the Securities Act, to the extent available, and other applicable securities laws.

The description of the Indenture herein is qualified in its entirety by reference to the full text of such Indenture, a copy of which is attached as Exhibit 4.1 hereto and incorporated by reference herein.

Use of Proceeds

After deducting the fees payable to the Initial Purchasers and the estimated offering expenses, the net proceeds to the Company from the offering of Notes are estimated to be approximately \$489.5 million. The Company intends to use the net proceeds from the offering to repay a portion of the outstanding indebtedness under the Company's revolving credit facility provided in our 2013 Credit Agreement, as amended (the "2013 Credit Agreement") and for general corporate purposes.

The Notes and the guarantees (together, the "Securities") have not been, and will not be, registered under the Securities Act. The Company offered and sold the Securities to the Initial Purchasers in reliance on the exemption from registration requirements provided by Section 4(a)(2) of the Securities Act. The Company relied on this exemption from registration requirements in part based on representations made by the Initial Purchasers in the Purchase Agreement. The Initial Purchasers then sold the Securities to qualified institutional buyers pursuant to exemptions from registration requirements provided by Rule 144A and Regulation S under the Securities Act. This Current Report on Form 8-K does not constitute an offer to sell nor a solicitation of an offer to buy any security and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Certain of the Initial Purchasers and their affiliates have performed and/or may in the future perform financial advisory, investment banking and commercial banking services in the ordinary course of business to the Company, the guarantors and certain of their affiliates, for which they have received, and may in the future receive, customary fees and expense reimbursement. Certain of the Initial Purchasers in this offering and/or their affiliates serve as lenders and/or agents under the 2013 Credit Agreement and will receive their pro rata portion of the net proceeds from this offering that will be used to repay a portion of outstanding indebtedness under the Company's revolving credit facility. Regions Bank is acting as trustee under the Indenture and is an affiliate of Regions Securities LLC, an Initial Purchaser. Further, certain of the Initial Purchasers (or certain of their affiliates thereof) may be our customers under customary contractual arrangements from time to time. In addition, certain of the Initial Purchasers and/or their affiliates may hold positions in the Company's existing senior notes.

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

The information provided in Item 1.01 above is incorporated herein by reference.

Item 3.03 Material Modification to Rights of Security Holders.

The information set forth in Item 1.01 above with respect to the Indenture's limitations on the payment of dividends, redemption of stock or other distributions to the Company's stockholders is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Document Description</u>
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4.1	Indenture, dated October 27, 2016, among Alliance Data Systems Corporation, certain of its subsidiaries as guarantors and Regions Bank, as trustee (including the form of the Company's 5.875% Senior Note due November 1, 2021).
10.1	Purchase Agreement, dated as of October 24, 2016, among Alliance Data Systems Corporation, subsidiary guarantors party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the

several Initial Purchasers party thereto.

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 28, 2016 By: /s/ Charles L. Horn
Charles L. Horn
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

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