

ALLIANCE DATA SYSTEMS CORP  
 Form 4  
 November 09, 2006

**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 \*  
**HEFFERNAN EDWARD 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)  
**11/07/2006**

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
**EVP, Chief Financial Officer**

**DALLAS, TX 75252-8012**

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 Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	11/07/2006		F <sup>(1)</sup>		1,699	D	\$ 59.68
Common Stock	11/07/2006		M <sup>(1)</sup>		6,918	A	\$ 14.67
Common Stock	11/07/2006		M		1	A	\$ 12

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. Amount or Number of Shares
Employee Stock Options (Right to Buy)	\$ 12	11/07/2006		M	1	<u>(2)</u> 06/07/2011	Common Stock	1
Employee Stock Options (Right to Buy)	\$ 14.67	11/07/2006		M <sup>(1)</sup>	6,918	<u>(2)</u> 09/25/2012	Common Stock	6,918

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HEFFERNAN EDWARD J 17655 WATERVIEW PARKWAY DALLAS, TX 75252-8012			EVP, Chief Financial Officer	

## Signatures

Leigh Ann K. Epperson, Attorney  
in Fact

11/09/2006

\_\_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) 1,699 shares and \$56.15 have been delivered to the Company in payment of the exercise price of 6,918 employee stock options.

(2) This is an employee stock option grant that is fully vested.

(3)

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The total number of derivative securities beneficially owned includes: (a) an option for 17,967 out of an original 40,557 shares granted 10/9/00 which is fully vested; (b) an option for 34,022 shares granted 6/24/03 which is fully vested; (c) an option for 34,735 shares granted 2/2/04 of which 22,926 shares are fully vested and 11,809 shares will vest on 2/2/07; (d) an option for 19,337 shares granted 2/3/05 of which 6,381 shares vested on 2/3/06, 6,381 shares will vest on 2/3/07 and 6,575 shares will vest on 2/3/08; and (e) an option for 21,482 shares granted 2/13/06, of which 7,089 shares will vest on each of 2/13/07 and 2/13/08 and 7,304 shares will vest on 2/13/09.

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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