

ALLIANCE DATA SYSTEMS CORP

Form 4

February 15, 2006

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

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

OMB APPROVAL

OMB
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(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)
02/13/2006

____ Director ____ 10% Owner
____X____ Officer (give title ____ Other (specify
below) 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)
____X____ 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	(A) or (D)	Price
Common Stock	02/13/2006		A ⁽¹⁾		9,001	A	<u>(1)</u> 53,408
Common Stock	02/13/2006		A ⁽²⁾		9,001	A	<u>(2)</u> 62,409 ⁽³⁾

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

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information contained in this form are not
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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)
Employee Stock Options (Right to Buy)	\$ 43.01	02/13/2006		A ⁽⁴⁾	21,482	⁽⁴⁾ 02/13/2016	Common Stock 21,482

Reporting Owners

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

Signatures

Leigh Ann K. Epperson, Attorney
in Fact 02/15/2006

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) The new grant is for 9,001 shares of common stock represented by performance-based restricted stock units, which may be adjusted up or down at the time the restrictions lapse. The restrictions may lapse based on the Company's relative cash earnings per share growth as compared to the S&P 500 GAAP EPS growth measured as of 12/31/06.
- (2) The new grant is for 9,001 shares of common stock represented by time-based restricted stock units. The restrictions will lapse on 2,970 shares on each of 2/13/07 and 2/13/08, and on 3,061 shares on 2/13/09.
- (3) The total number of securities beneficially owned includes: (a) 15,545 shares acquired by the exercising of vested employee stock options; (b) 6,961 shares of performance-based restricted stock granted 2/3/05, of which 0 shares are vested; (c) 6,284 out of an original 6,961 shares of time-based restricted stock granted 2/3/05, of which 1,620 shares are vested; (d) 15,617 out of an original 17,778 shares of time-based restricted stock granted 2/3/05, of which 3,765 shares are vested; (e) the new grant for 9,001 performance-based restricted stock units; and (f) the new grant for 9,001 time-based restricted stock units.
- (4) The new option is for 21,482 shares, 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.
- (5)

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The total number of derivative securities beneficially owned includes: (a) an option for 2,018 from an original 40,000 shares granted 9/1/00 which is fully vested; (b) an option for 28,557 from an original 40,557 shares granted 10/9/00 which is fully vested; (c) an option for 1 from an original 38,313 shares granted on 6/8/01 which is fully vested; (d) an option for 45,838 out of an original 70,000 shares granted 9/26/02 which is fully vested; (e) an option for 34,022 shares granted 6/24/03 of which 22,454 shares are fully vested and 11,568 shares will vest on 6/23/06; (f) 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; (g) 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 (h) the new option for 21,482 shares.

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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