

ALLIANCE DATA SYSTEMS CORP

Form 4

March 13, 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)
03/09/2006

____ 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	03/09/2006		M ⁽¹⁾		38,920	A	\$ 14.665	101,329 D
Common Stock	03/09/2006		M ⁽¹⁾		12,608	A	\$ 15	113,937 D
Common Stock	03/09/2006		S ⁽¹⁾		51,528	D	\$ 46	62,409 ⁽²⁾ D

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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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)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Options (Right to Buy)	\$ 14.665	03/09/2006		<u>M</u> ⁽¹⁾	38,920	<u>(3)</u>	09/25/2012	Common Stock	38,920
Employee Stock Options (Right to Buy)	\$ 15	03/09/2006		<u>M</u> ⁽¹⁾	2,018	<u>(3)</u>	08/31/2010	Common Stock	2,018
Employee Stock Options (Right to Buy)	\$ 15	03/09/2006		<u>M</u> ⁽¹⁾	10,590	<u>(3)</u>	10/08/2010	Common Stock	10,590

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 03/13/2006

__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 sale reported in this Form 4 was effected pursuant to a Rule 10b5-1 trading plan adopted by the Reporting Person on February 21, 2006. The trading plan was established to sell up to 51,528 shares of the Company's common stock. Portions of the shares may be sold on specified dates or any time the stock achieves certain pre-arranged minimum prices and may take place beginning on February 23, 2006 and ending on April 30, 2006, unless sooner terminated. The Reporting Person will have no control over the timing of any sales under the plan and there can be no assurance that the shares covered by the plan actually will be sold. The Reporting Person entered into the plan for personal tax and financial planning purposes and will continue to have a significant ownership interest in the Company.

- (2) 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) 9,001 performance-based restricted stock units granted 2/13/06, of which 0 shares are vested; and (f) 9,001 time-based restricted stock units granted 2/13/06, of which 0 shares are vested.

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

- 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 1 out of an original 38,313 shares granted on 6/8/01 which is fully vested; (c) an option for 6,918 out of an original 70,000 shares granted 9/26/02 which is fully vested; (d) 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; (e) 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; (f) 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 (g) 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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