

ALLIANCE DATA SYSTEMS CORP
 Form 4
 November 09, 2006

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

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 ⁽¹⁾		1,699	D	\$ 59.68
Common Stock	11/07/2006		M ⁽¹⁾		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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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. Title and Amount of Underlying Securities (Instr. 3 and 4)
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 ⁽¹⁾	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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