

ALLIANCE DATA SYSTEMS CORP
 Form 4
 February 25, 2009

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)
02/23/2009

____ 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 Indirect Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|--|
| | | | Code | V Amount (A) or (D) Price | | | |
| Common Stock | 02/23/2009 | | F ⁽¹⁾ | 22,096 D \$ 28.92 | 237,158 | D | |
| Common Stock | 02/23/2009 | | A ⁽²⁾ | 60,000 A 29.15 | 297,158 ⁽³⁾ | D | |

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

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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) | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Owned Beneficially (Instr. 6) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|--|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |

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
02/25/2009

**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) 22,096 shares were withheld by the Company to satisfy the Reporting Person's tax withholding obligation upon the vesting of restricted stock units.
- The new grant is for a total of 60,000 shares of common stock represented by performance-based restricted stock units, which may be adjusted down at the time the performance restriction lapses. The restriction may lapse with respect to 19,800 shares on each of 2/23/10 and 2/23/11 and with respect to 20,400 shares on 2/23/12 contingent on meeting a cash earnings per share growth hurdle for 2009. The award has a 10% cash EPS growth threshold to achieve 50% of the target award, with 100% of the target award obtained by achieving 17% cash EPS growth in 2009.
- (3) The total number of securities beneficially owned includes: (a) 99,303 unrestricted shares; (b) 2,201 unvested shares from an original award of 6,471 time-based restricted stock units granted 2/21/07; (c) 10,483 unvested shares from an original award of 20,966 performance-based restricted stock units granted 2/21/07; (d) 68,844 unvested shares from an original award of 102,752 performance-based restricted stock units granted 4/28/08; (e) 56,327 unvested shares from an original award of 84,070 time-based restricted stock units granted 4/28/08; and (f) the new grant for 60,000 performance-based restricted stock units.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.