

ALLIANCE DATA SYSTEMS CORP  
 Form 4  
 February 23, 2007

**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)  
**02/21/2007**

\_\_\_\_ 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 (D) Price			
Common Stock	02/21/2007		A <sup>(1)</sup>	6,471 A (1)	53,568	D	
Common Stock	02/21/2007		A <sup>(2)</sup>	6,471 A (2)	60,039	D	
Common Stock	02/21/2007		A <sup>(3)</sup>	20,966 A (3)	81,005	D	

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)	Amount or Number of Shares
Employee Stock Option (Right to Buy)	\$ 63.35	02/21/2007		A <sup>(4)</sup>	15,223	<sup>(4)</sup> 02/21/2017	Common Stock	15,223

## 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  
Date: 02/23/2007

\*\*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 6,471 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 cash earnings per share growth for 2007.
- (2) The new grant is for 6,471 shares of common stock represented by time-based restricted stock units. The restrictions will lapse on 2,135 shares on each of 2/21/08 and 2/21/09, and on 2,201 shares on 2/21/10.
- (3) The new grant is for 20,966 shares of common stock represented by performance-based restricted stock units. The restrictions may lapse on 5,241 shares in February 2008, on 5,242 shares in February 2009, and on 10,483 shares in February 2010 contingent on meeting a 5% cash earnings per share growth hurdle for 2007.
- (4) The new option is for 15,223 shares, of which 5,023 shares will vest on 2/21/08, 5,024 shares will vest on 2/21/09 and 5,176 shares will vest on 2/21/10.
- (5)

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The total number of derivative securities beneficially owned includes: (a) an option for 28,699 out of an original 34,022 shares granted 6/24/03 which is fully vested; (b) an option for 34,735 shares granted 2/2/04 which is fully vested; (c) an option for 19,337 shares granted 2/3/05 of which 12,762 shares are fully vested and 6,575 shares will vest on 2/3/08; (d) an option for 21,482 shares granted 2/13/06, of which 7,089 shares vested on 2/13/07, 7,089 shares will vest on 2/13/08 and 7,304 shares will vest on 2/13/09; and (e) the new option for 15,223 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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