

ALLIANCE DATA SYSTEMS CORP  
 Form 4  
 March 13, 2006

**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**

(Last) (First) (Middle)  
 17655 WATERVIEW PARKWAY  
 (Street)

DALLAS, TX 75252-8012

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
**ALLIANCE DATA SYSTEMS CORP [ADS]**

3. Date of Earliest Transaction (Month/Day/Year)  
 03/09/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
 EVP, Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

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

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) | Amount or Number of Shares |        |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|--------|
|  |  |                                      |  | Code                           | V (A) (D)   | Date Exercisable   | Expiration Date   | Title                      |        |
| Employee Stock Options (Right to Buy)      | \$ 14.665  | 03/09/2006                           |  | M <sup>(1)</sup>               | 38,920  | <u>(3)</u>   | 09/25/2012  | Common Stock               | 38,920 |
| Employee Stock Options (Right to Buy)      | \$ 15  | 03/09/2006                           |  | M <sup>(1)</sup>               | 2,018   | <u>(3)</u>   | 08/31/2010  | Common Stock               | 2,018  |
| Employee Stock Options (Right to Buy)      | \$ 15  | 03/09/2006                           |  | M <sup>(1)</sup>               | 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<br>17655 WATERVIEW PARKWAY<br>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.

(4) 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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