

ALLIANCE DATA SYSTEMS CORP
 Form 4
 February 23, 2007

FORM 4

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

OMB APPROVAL

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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 *
 SCULLION JOHN W

(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)
 02/21/2007

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)
 President and COO

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	(A) or (D)	Price
Common Stock	02/21/2007		A ⁽¹⁾		7,765	A	11
Common Stock	02/21/2007		A ⁽²⁾		7,765	A	12
Common Stock	02/21/2007		A ⁽³⁾		13,395	A	13
							88,920 ⁽⁴⁾

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)	Amount or Number of Shares
Employee Stock Option (Right to Buy)	\$ 63.35	02/21/2007		A ⁽⁵⁾	18,268	⁽⁵⁾ 02/21/2017	Common Stock	18,268

Reporting Owners

Reporting Owner Name / Address

Relationships

Director 10% Owner Officer Other

SCULLION JOHN W
17655 WATERVIEW PARKWAY
DALLAS, TX 75252-8012

President and COO

Signatures

Leigh Ann K. Epperson, Attorney
in Fact

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 7,765 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 7,765 shares of common stock represented by time-based restricted stock units. The restrictions will lapse on 2,562 shares on each of 2/21/08 and 2/21/09, and on 2,551 shares on 2/21/10.
- (3) The new grant is for 13,395 shares of common stock represented by performance-based restricted stock units. The restrictions may lapse on 3,348 shares in February 2008, on 3,349 shares in February 2009, and on 6,698 shares in February 2010 contingent on meeting a 5% cash earnings per share growth hurdle for 2007.
- (4) The total number of securities beneficially owned includes: (a) 8,491 shares of performance-based restricted stock granted 2/3/05, which are fully vested; (b) 7,514 shares of time-based restricted stock granted 2/3/05, of which 4,959 shares are vested; (c) 5,926 out of an original 8,889 shares of time-based restricted stock granted 2/3/05, of which 2,963 shares are vested; (d) 25,376 performance-based restricted stock units granted 2/13/06, which are fully vested; (e) 12,688 time-based restricted stock units granted 2/13/06, of which 4,187

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shares are vested; (f) the new grant for 7,765 performance-based restricted stock units; (g) the new grant for 7,765 time-based restricted stock units; and (h) the new grant for 13,395 performance-based restricted stock units.

- (5) The new option is for 18,268 shares, of which 6,028 shares will vest on each of 2/21/08 and 2/21/09 and 6,212 shares will vest on 2/21/10.

- The total number of derivative securities beneficially owned includes: (a) an option for 53,334 out of an original 80,000 shares granted 9/1/00, which is fully vested; (b) an option for 35,723 shares granted 6/24/03, which is fully vested; (c) an option for 34,735 shares granted 2/2/04, which is fully vested; (d) an option for 20,872 shares granted 2/3/05, of which 13,774 shares are fully vested and 7,098 shares will vest on 2/3/08; (e) an option for 24,691 shares granted 2/3/05, of which 16,460 shares are fully vested and 8,231 shares will vest on 12/9/07; (f) an option for 30,281 shares granted 2/13/06, of which 9,992 shares vested on 2/13/07, 9,993 shares will vest on 2/13/08 and 10,296 shares will vest on 2/13/09; and (g) the new option for 18,268 shares.

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.