

ALLIANCE DATA SYSTEMS CORP  
 Form 4  
 February 15, 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 \*  
 SCULLION JOHN W

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)  
 02/13/2006

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below)  Other (specify below)  
 Executive Vice President / President, Loyalty & Mktg Svcs

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 Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	02/13/2006		A <sup>(1)</sup>		12,688	A	11
Common Stock	02/13/2006		A <sup>(2)</sup>		12,688	A	2
Common Stock	02/13/2006		M		17,929	A	\$ 9.9
Common Stock	02/13/2006		S		17,929	D	\$ 42.8889
					49,293		<sup>(3)</sup>

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

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(9-02)

**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 Security (Instr. 3 and 4)
				Code	V (A) (D)	Date Exercisable Expiration Date	Title
Employee Stock Option (Right to Buy)	\$ 43.01	02/13/2006		A <sup>(4)</sup>	30,281	<sup>(4)</sup> 02/13/2016	Common Stock 30,281
Employee Stock Option (Right to Buy)	\$ 9.9	02/13/2006		M	17,929	<sup>(5)</sup> 12/01/2008	Common Stock 17,929

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SCULLION JOHN W 17655 WATERVIEW PARKWAY DALLAS, TX 75252-8012			Executive Vice President	President, Loyalty & Mktg Svcs

## Signatures

Leigh Ann K. Epperson, Attorney  
in Fact 02/15/2006

\*\*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).

The new grant is for 12,688 shares of common stock represented by performance-based restricted stock units, which may be adjusted up (1) or down at the time the restrictions lapse. The restrictions may lapse based on the Company's relative cash earnings per share growth as compared to the S&P 500 GAAP EPS growth measured as of 12/31/06.

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- (2) The new grant is for 12,688 shares of common stock represented by time-based restricted stock units. The restrictions will lapse on 4,187 shares on each of 2/13/07 and 2/13/08, and on 4,314 shares on 2/13/09.

- The total number of securities beneficially owned includes: (a) 7,514 shares of performance-based restricted stock granted 2/3/05, of which 0 shares are vested; (b) 7,514 shares of time-based restricted stock granted 2/3/05, of which 2,479 shares are vested; (c) 8,889 shares of time-based restricted stock granted 2/3/05, of which 2,963 shares are vested; (d) the new grant for 12,688 performance-based restricted stock units; and (e) the new grant for 12,688 time-based restricted stock units.

- (4) The new option is for 30,281 shares, of which 9,992 shares will vest on 2/13/07, 9,993 shares will vest on 2/13/08 and 10,296 shares will vest on 2/13/09.

- (5) This is an employee stock option grant that is fully vested.

- The total number of derivative securities beneficially owned includes: (a) an option for 80,000 shares granted on 9/1/00, which is fully vested; (b) an option for 74,715 shares granted on 6/8/01, which is fully vested; (c) an option for 35,723 shares granted on 6/24/03, of which 23,578 shares are fully vested and 12,145 shares will vest on 6/23/06; (d) an option for 34,735 shares granted on 2/2/04, of which 22,926 shares are fully vested and 11,809 shares will vest on 2/2/07; (e) an option for 20,872 shares granted 2/3/05, of which 6,887 shares vested on 2/3/06, 6,887 shares will vest on 2/3/07 and 7,098 shares will vest on 2/3/08; (f) an option for 24,691 shares granted on 2/3/05, of which 8,230 shares vested on 12/9/05, 8,230 shares will vest on 12/9/06 and 8,231 shares will vest on 12/9/07; and (g) the new option for 30,281 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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