

ALLIANCE DATA SYSTEMS CORP  
 Form 4  
 November 21, 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 \*  
 Pearson Bryan A

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)  
 11/20/2006

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
 President, Loyalty Services

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                    | 11/20/2006                           |  | M                              | 3,500 A \$ 24.03  | 19,114  | D  |  |
| Common Stock                    | 11/20/2006                           |  | S                              | 3,500 D \$ 64.3189  | 15,614 <sup>(1)</sup>   | 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)

**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. Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|-------------------------------|
| Employee Stock Option (Right to Buy)       | \$ 24.03   | 11/20/2006                           |  | M                              | 3,500   | (2) 06/23/2013   | Common Stock  | 3,500                         |

## Reporting Owners

| Reporting Owner Name / Address                                      | Relationships |           |                             |       |
|---|---------------|-----------|-----------------------------|-------|
|   | Director      | 10% Owner | Officer                     | Other |
| Pearson Bryan A<br>17655 WATERVIEW PARKWAY<br>DALLAS, TX 75252-8012 |               |           | President, Loyalty Services |       |

## Signatures

Leigh Ann K. Epperson, Attorney  
in Fact

11/21/2006

\*\*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 total number of securities beneficially owned includes: (a) 1,500 out of an original 4,800 shares of performance-based restricted stock granted 6/24/03, which are fully vested; (b) 3,200 out of an original 4,000 shares of performance-based restricted stock granted 2/3/05, which are fully vested; (c) 4,444 shares of time-based restricted stock granted 2/3/05, of which 1,481 shares are vested; (d) 3,235 shares of time-based restricted stock units granted 2/13/06, of which 0 shares are vested; and (e) 3,235 shares of performance-based restricted stock units granted 2/13/06, of which 0 shares are vested.
- (2) This is an employee stock option grant that is fully vested.
- (3) The total number of derivative securities beneficially owned includes: (a) an option for 10,000 out of an original 40,404 shares granted 12/1/98, which is fully vested; (b) an option for 15,000 out of an original 18,500 shares granted 6/24/03, which is fully vested; (c) an option for 16,000 shares granted 2/2/04, of which 10,560 shares are fully vested and 5,440 shares will vest on 2/2/07; (d) an option for 20,000 shares granted 2/3/05, of which 6,600 shares vested on 2/3/06, 6,600 shares will vest on 2/3/07 and 6,800 shares will vest on 2/3/08; (e) an option for 12,346 shares granted 2/3/05, of which 4,115 shares vested on 12/9/05, 4,115 shares will vest on 12/9/06 and 4,116 shares will vest on 12/9/07; and (f) an option for 7,724 shares granted 2/13/06, of which 2,548 shares will vest on 2/13/07, 2,549

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shares will vest on 2/13/08 and 2,627 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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