

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden hours per response:	0.5

1. Name and Address of Reporting Person* <u>PARKS J MICHAEL</u>  (Last) (First) (Middle) <u>17655 WATERVIEW PARKWAY</u>  (Street) <u>DALLAS TX 75252-8012</u>  (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>ALLIANCE DATA SYSTEMS CORP [ ADS ]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <b>Chairman and CEO</b>
	3. Date of Earliest Transaction (Month/Day/Year) <u>10/24/2006</u>	
		6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> 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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/24/2006		M		7,477	A	\$9	199,566	D	
Common Stock	10/24/2006		S		7,477	D	\$60.06	192,089 <sup>(1)</sup>	D	

**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 Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date						Title
Employee Stock Option (Right to Buy)	\$9	10/24/2006		M			7,477	(2)	03/09/2007	Common Stock	7,477	(2)	761,211 <sup>(3)</sup>	D	

**Explanation of Responses:**

- The total number of securities beneficially owned includes: (a) 868 out of an original 120,000 shares of restricted stock granted 9/1/00 which are fully vested; (b) 1,860 shares purchased in the open market; (c) 18,661 shares of performance-based restricted stock granted 6/24/03 which are fully vested; (d) 57,146 shares acquired by the exercising of vested employee stock options; (e) 5,740 out of an original 35,740 shares of performance-based restricted stock granted 2/2/04 which are fully vested; (f) 15,156 out of an original 23,849 shares of performance-based restricted stock granted 2/3/05, which are fully vested; (g) 19,263 out of an original 21,105 shares of time-based restricted stock granted 2/3/05, of which 5,122 shares are vested; (h) 19,283 out of an original 22,222 shares of time-based restricted stock granted 2/3/05, of which 8,172 shares are vested; (i) 27,056 performance-based restricted stock units granted 2/13/06, of which 0 shares are vested; (continued below)
- This is an employee stock option grant that is fully vested.
- The total number of derivative securities beneficially owned includes: (a) an option for 63,131 out of an original 83,333 shares granted 5/7/99, which is fully vested; (b) an option for 230,000 shares granted 9/1/00, which is fully vested; (c) an option for 109,388 shares granted 6/8/01, which is fully vested; (d) an option for 106,203 shares granted 6/24/03, which is fully vested; (e) an option for 129,291 shares granted 2/2/04, of which 85,332 shares are fully vested and 43,959 shares will vest on 2/2/07; (f) an option for 58,626 shares granted 2/3/05, of which 19,346 shares vested on 2/3/06, 19,346 shares will vest on 2/3/07 and 19,934 shares will vest on 2/3/08; and (g) an option for 64,572 shares granted 2/13/06, of which 21,308 shares will vest on 2/13/07, 21,309 shares will vest on 2/13/08 and 21,955 shares will vest on 2/13/09.

**Remarks:**

(1) Continued from above: and (j) 27,056 time-based restricted stock units granted 2/13/06, of which 0 shares are vested.

Leigh Ann K. Epperson, 10/25/2006  
Attorney in Fact  
 \*\* Signature of Reporting Person Date

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

\* 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).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.