

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 | |
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|---|--|--|--|--|--|---|--|--|
| 1. Name and Address of Reporting Person* <u>Taylor Transient C</u> _____ (Last) (First) (Middle) <u>17655 WATERVIEW PARKWAY</u> _____ (Street) <u>DALLAS TX 75252</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) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>EVP, Human Resources</u> | | |
| | | | 3. Date of Earliest Transaction (Month/Day/Year) <u>02/21/2007</u> | | | | | |
| | | | 4. If Amendment, Date of Original Filed (Month/Day/Year) | | | | | |
| | | | 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 | 02/21/2007 | | A ⁽¹⁾ | | 2,071 | A | (1) | 23,624 | D | |
| Common Stock | 02/21/2007 | | A ⁽²⁾ | | 2,071 | A | (2) | 25,695 | D | |
| Common Stock | 02/21/2007 | | A ⁽³⁾ | | 4,659 | A | (3) | 30,354 | D | |
| Common Stock | 02/21/2007 | | M | | 974 | A | \$43.01 | 31,328 | D | |
| Common Stock | 02/21/2007 | | S | | 4,833 | D | \$63 | 26,495 ⁽⁴⁾ | 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) | \$63.35 | 02/21/2007 | | A ⁽⁵⁾ | | 4,872 | | (5) | 02/21/2017 | Common Stock | 4,872 | (5) | 24,113 | D | |
| Employee Stock Option (Right to Buy) | \$43.01 | 02/21/2007 | | M | | 974 | | (6) | 02/13/2016 | Common Stock | 974 | (6) | 23,139 ⁽⁷⁾ | D | |

Explanation of Responses:

- The new grant is for 2,071 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.
- The new grant is for 2,071 shares of common stock represented by time-based restricted stock units. The restrictions will lapse on 683 shares on each of 2/21/08 and 2/21/09, and on 705 shares on 2/21/10.
- The new grant is for 4,659 shares of common stock represented by performance-based restricted stock units. The restrictions may lapse on 1,164 shares in February 2008, on 1,165 shares in February 2009, and on 2,330 shares in February 2010 contingent on meeting a 5% cash earnings per share growth hurdle for 2007.
- The total number of securities beneficially owned includes: (a) 13,234 shares of time-based restricted stock granted 8/17/05, of which 0 shares are vested; (b) 1,295 out of an original 7,074 performance-based restricted stock units granted 2/13/06, which are fully vested; (c) 3,165 out of an original 3,537 time-based restricted stock units granted 2/13/06, of which 795 shares are vested; (d) the new grant for 2,071 performance-based restricted stock units; (e) the new grant for 2,071 time-based restricted stock units; and (f) the new grant for 4,659 performance-based restricted stock units.
- The new option is for 4,872 shares, of which 1,607 shares will vest on 2/21/08, 1,608 shares will vest on 2/21/09 and 1,657 shares will vest on 2/21/10.
- This is an employee stock option for 8,441 shares granted 2/13/06, of which 2,785 shares vested on 2/13/07, 2,786 shares will vest on 2/13/08 and 2,870 shares will vest on 2/13/09.
- The total number of derivative securities beneficially owned includes: (a) an option for 10,800 shares granted 8/17/05, which will vest on 8/17/08; (b) an option for 7,467 out of an original 8,441 shares granted 2/13/06, of which 2,785 shares vested on 2/13/07, 2,786 shares will vest on 2/13/08 and 2,870 shares will vest on 2/13/09; and (c) the new option for 4,872 shares.

Remarks:

Leigh Ann K. Epperson, 02/23/2007
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.

