

**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*<br><u>SCULLION JOHN W</u><br><br>(Last) (First) (Middle)<br><u>17655 WATERVIEW PARKWAY</u><br><br>(Street)<br><u>DALLAS TX 75252-8012</u><br><br>(City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol<br><u>ALLIANCE DATA SYSTEMS CORP [ ADS ]</u> | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable)<br>Director 10% Owner<br><input checked="" type="checkbox"/> Officer (give title below) Other (specify below)<br><u>President and COO</u> |
|  | 3. Date of Earliest Transaction (Month/Day/Year)<br><u>02/21/2007</u>                    |   |
|  | 4. If Amendment, Date of Original Filed (Month/Day/Year)                                 |   |

**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 <sup>(1)</sup>               |   | 7,765   | A          | (1)   | 67,760  | D  |   |
| Common Stock                    | 02/21/2007                           |  | A <sup>(2)</sup>               |   | 7,765   | A          | (2)   | 75,525  | D  |   |
| Common Stock                    | 02/21/2007                           |  | A <sup>(3)</sup>               |   | 13,395  | A          | (3)   | 88,920 <sup>(4)</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)       | \$63.35  | 02/21/2007                           |  | A <sup>(5)</sup>               |   | 18,268   |     | (5)  | 02/21/2017      | Common Stock  | 18,268                                     | (5)  | 217,904 <sup>(6)</sup>                                    | D  |       |

**Explanation of Responses:**

- 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.
- 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.
- 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.
- 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 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.
- 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.

**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.

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