

SCHEDULE 13G
(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILES PURSUANT
TO RULES 13d-1(b),(c), AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b)
(Amendment No. 3)(1)

Alliance Data Systems Corporation

(Name of Issuer)

Common Stock, \$.01 par value

(Title of Class of Securities)

018581 10 8

(CUSIP Number)

December 31, 2005

Date of Event Which Requires Filing of this Statement

Check the appropriate box to designate the rule pursuant to which this Schedule is Filed:

- Rule 13d-1(b)
 Rule 13d-1(c)
 Rule 13d-1(d)

(1)The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page. The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act.

CUSIP No. 018581 10 8

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1) Name of Reporting Person Welsh, Carson,
I.R.S. Identification Anderson & Stowe
No. of Above Person VIII, L.P.
(Entities Only)

2) Check the Appropriate Box (a)
if a Member of a Group (b)

3) SEC Use Only

4) Citizenship or Place of Organization Delaware

Number of 5) Sole Voting 12,160,349 shares
Shares Beneficially Power of Common Stock
Owned by Each

Reporting Person
With:

6) Shared Voting Power -0-

7) Sole Disposi- 12,160,349 shares of
tive Power Common Stock

8) Shared Dis-

9) Aggregate Amount Beneficially Owned by Each Reporting Person 12,160,349 shares of Common Stock

10) Check if the Aggregate Amount in Row (9) Excludes Certain Shares

11) Percent of Class Represented by Amount in Row (9) 14.4%

12) Type of Reporting Person PN

Amendment No. 3 to Schedule 13G

Reference is hereby made to the statement on Schedule 13G filed with the Securities and Exchange Commission on January 22, 2003, Amendment No. 1 thereto filed on January 21, 2004 and Amendment No. 2 thereto filed on January 13, 2005 (as so amended, the "Schedule 13G"). Terms defined in the Schedule 13G are used herein as so defined.

The following Items of the Schedule 13G are hereby amended and restated to read in their entirety as follows:

Item 4 - Ownership.

(a) Amount Beneficially Owned:

WCAS VIII: 12,160,349 shares of Common Stock

(b) Percent of Class:

WCAS VIII: 14.4%

(c) Number of shares as to which such person has:

(i) sole power to vote or to direct the vote:

WCAS VIII: 12,160,349 shares of Common Stock

(ii) shared power to vote or to direct the vote: -0-

(iii) sole power to dispose or to direct the disposition of:

WCAS VIII: 12,160,349 shares of Common Stock

(iv) shared power to dispose or to direct the disposition of: -0-

In addition, WCAS Management Corporation, a Delaware corporation controlled by certain of the same individuals who control WCAS VIII, owns 349 shares of Common Stock, or less than 0.1% of the Common Stock outstanding.

Signature:

After reasonable inquiry and to the best of their knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

WELSH, CARSON, ANDERSON & STOWE VIII, L.P.
By: WCAS VIII Associates, L.L.C., General Partner

By /s/ Jonathan M. Rather

Managing Member

Date: January 18, 2006