

ALLIANCE DATA SYSTEMS CORP
 Form 4
 May 25, 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 *
 SZEFTEL IVAN M

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)
 05/23/2006

____ Director _____ 10% Owner
 Officer (give title below) Other (specify below)
 Executive Vice President / President Retail Credit Svcs.

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)	(A) or (D)	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	Price		
Common Stock	05/23/2006		M		15,000	\$ 12	98,964	D
Common Stock	05/23/2006		S		15,000	\$ 54.01	83,964	D
Common Stock	05/24/2006		M		4,000	\$ 12	87,964	D
Common Stock	05/24/2006		S		4,000	\$ 54.25	83,964	D

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

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(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)	Amount or Number of Shares
Employee Stock Option (Right to Buy)	\$ 12	05/23/2006		M	15,000	<u>(1)</u> 06/07/2011	Common Stock	15,000
Employee Stock Option (Right to Buy)	\$ 12	05/24/2006		M	4,000	<u>(1)</u> 06/07/2011	Common Stock	4,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SZEFTEL IVAN M 17655 WATERVIEW PARKWAY DALLAS, TX 75252-8012			Executive Vice President	President Retail Credit Svcs.

Signatures

Leigh Ann K. Epperson, Attorney in Fact
05/25/2006
**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).
- (1) This is an employee stock option grant that is fully vested.

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The total number of derivative securities beneficially owned includes: (a) an option for 77,001 out of an original 80,000 shares granted 9/1/00, which is fully vested; (b) an option for 19,048 out of an original 38,048 shares granted 6/8/01, which is fully vested; (c) an option for 42,528 shares granted 6/24/03, of which 28,068 shares are fully vested and 14,460 shares will vest on 6/23/06; (d) an option for (2) 42,103 shares granted 2/2/04, of which 27,788 shares are fully vested and 14,315 shares will vest on 2/2/07; (e) an option for 27,113 shares granted 2/3/05, of which 8,947 shares vested on 2/3/06, 8,947 shares will vest on 2/3/07 and 9,219 shares will vest on 2/3/08; and (f) an option for 29,859 shares granted 2/13/06, of which 9,853 shares will vest on each of 2/13/07 and 2/13/08 and 10,153 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. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.