

Discover Financial Services  
Form 4  
July 05, 2007

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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

## OMB APPROVAL

OMB  
Number: 3235-0287  
Expires: January 31,  
2005  
Estimated average  
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(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Corley Kathryn McNamara

(Last) (First) (Middle)

2500 LAKE COOK ROAD

(Street)

RIVERWOODS, IL 60015

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading  
Symbol  
Discover Financial Services [DFS]

3. Date of Earliest Transaction  
(Month/Day/Year)  
07/02/2007

4. If Amendment, Date Original  
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to  
Issuer

(Check all applicable)

\_\_\_\_ Director \_\_\_\_ 10% Owner  
\_\_\_\_X\_\_\_\_ Officer (give title below) \_\_\_\_ Other (specify below)  
SVP,General Counsel&Secretary

6. Individual or Joint/Group Filing(Check  
Applicable Line)  
\_\_\_\_X\_\_\_\_ Form filed by One Reporting Person  
\_\_\_\_ Form filed by More than One Reporting  
Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of<br>Security<br>(Instr. 3) | 2. Transaction Date<br>(Month/Day/Year) | 2A. Deemed<br>Execution Date, if<br>any<br>(Month/Day/Year) | 3. Transaction<br>Code<br>(Instr. 8) | 4. Securities Acquired<br>(A) or Disposed of (D)<br>(Instr. 3, 4 and 5) | 5. Amount of<br>Securities<br>Beneficially<br>Owned<br>Following<br>Reported<br>Transaction(s)<br>(Instr. 3 and 4) | 6. Ownership<br>Form: Direct<br>(D) or<br>Indirect (I)<br>(Instr. 4) | 7. Nature of<br>Ownership<br>(Instr. 4) |
|---------------------------------------|---|---|--------------------------------------|---|--|--|---|
| Common<br>Stock                       | 07/02/2007                              |   | A                                    | Amount<br>(1) 78,889<br>(A) or<br>(D) (2)                               | 90,768.39 (3)  | D  |   |
| Common<br>Stock                       | 07/02/2007                              |   | A                                    | Amount<br>(1) 107,690<br>(A) or<br>(D) \$ 0                             | 198,458.39<br>(3)  | D  |   |
| Common<br>Stock                       |   |   |                                      |   | 2,119.01 (4)   | I  | By ESOP                                 |

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

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SEC 1474  
(9-02)

# Edgar Filing: Discover Financial Services - Form 4

number.

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of<br>Derivative<br>Security<br>(Instr. 3) | 2.<br>Conversion<br>or Exercise<br>Price of<br>Derivative<br>Security | 3. Transaction Date<br>(Month/Day/Year) | 3A. Deemed<br>Execution Date, if<br>any<br>(Month/Day/Year) | 4.<br>Transaction<br>Code<br>(Instr. 8) | 5. Number of<br>Derivative<br>Securities<br>Acquired (A)<br>or Disposed of<br>(D)<br>(Instr. 3, 4,<br>and 5) | 6. Date Exercisable and<br>Expiration Date<br>(Month/Day/Year) |     | 7. Title and Amount of<br>Underlying Securities<br>(Instr. 3 and 4) |                    |                 |                                     |
|---|---|---|---|---|--|--|-----|---|--------------------|-----------------|-------------------------------------|
|   |   |   |   | Code                                    | V  | (A)  | (D) | Date<br>Exercisable   | Expiration<br>Date | Title           | Amount<br>or<br>Number<br>of Shares |
| Employee<br>Stock<br>Option                         | \$ 12.13  | 07/02/2007                              |   | A                                       |  | 4,001  |     | (5)   | 01/02/2009         | Common<br>Stock | 4,001                               |
| Employee<br>Stock<br>Option                         | \$ 20.47  | 07/02/2007                              |   | A                                       |  | 11,293   |     | (5)   | 01/02/2010         | Common<br>Stock | 11,293                              |
| Employee<br>Stock<br>Option                         | \$ 22.24  | 07/02/2007                              |   | A                                       |  | 13,015   |     | (5)   | 01/02/2011         | Common<br>Stock | 13,015                              |
| Employee<br>Stock<br>Option                         | \$ 19.41  | 07/02/2007                              |   | A                                       |  | 11,011   |     | (5)   | 01/02/2012         | Common<br>Stock | 11,011                              |
| Employee<br>Stock<br>Option                         | \$ 14.49  | 07/02/2007                              |   | A                                       |  | 25,886   |     | (5)   | 01/02/2013         | Common<br>Stock | 25,886                              |
| Employee<br>Stock<br>Option                         | \$ 18.87  | 07/02/2007                              |   | A                                       |  | 21,459   |     | (5)   | 01/02/2014         | Common<br>Stock | 21,459                              |
| Employee<br>Stock<br>Option                         | \$ 18.94  | 07/02/2007                              |   | A                                       |  | 30,043   |     | (5)   | 01/02/2008         | Common<br>Stock | 30,043                              |
| Employee<br>Stock<br>Option                         | \$ 26.68  | 07/02/2007                              |   | A                                       |  | 6,537  |     | (6)   | 12/12/2016         | Common<br>Stock | 6,537                               |

## Reporting Owners

Reporting Owner Name / Address

Relationships

Director

10% Owner

Officer

Other

Corley Kathryn McNamara  
2500 LAKE COOK ROAD  
RIVERWOODS, IL 60015

SVP, General  
Counsel & Secretary

## Signatures

/s/ Simon B. Halfin as Attorney-in-Fact for Kathryn McNamara  
Corley

07/05/2007

\_\_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) Restricted stock units that are convertible into shares of common stock at a ratio of 1 to 1.
- (2) These restricted stock units were granted by the issuer in replacement of 26,852 restricted stock units of Morgan Stanley in connection with the spin-off of the issuer by Morgan Stanley (the "Spin-Off").
- (3) Includes shares of common stock acquired in the Spin-Off.
- (4) These shares of common stock were acquired in the Spin-Off.
- (5) This option is fully exercisable.
- (6) This option vests in two equal annual installments beginning on December 12, 2008.
- (7) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 1,362 shares of common stock of Morgan Stanley at an exercise price of \$35.65.
- (8) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 3,844 shares of common stock of Morgan Stanley at an exercise price of \$60.14.
- (9) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 4,430 shares of common stock of Morgan Stanley at an exercise price of \$65.34.
- (10) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 3,748 shares of common stock of Morgan Stanley at an exercise price of \$57.03.
- (11) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 8,811 shares of common stock of Morgan Stanley at an exercise price of \$42.56.
- (12) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 7,304 shares of common stock of Morgan Stanley at an exercise price of \$55.45.
- (13) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 10,226 shares of common stock of Morgan Stanley at an exercise price of \$55.64.
- (14) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 2,225 shares of common stock of Morgan Stanley at an exercise price of \$78.40.

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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