
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

July 24, 2008

Alliance Data Systems Corporation

(Exact name of registrant as specified in its charter)

Delaware

001-15749

31-1429215

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

17655 Waterview Parkway, Dallas, Texas

75252

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(972) 348-5100

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01 Other Events.

On July 24, 2008, Alliance Data Systems Corporation issued a press release announcing the pricing of \$700 million aggregate principal amount of convertible senior notes due 2013 (the "Notes") through offerings to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). A copy of this press release is attached hereto as Exhibit 99.1.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from such registration requirements. This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities (including the shares of Alliance Data common stock into which the Notes are convertible) and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 Press release dated July 24, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Alliance Data Systems Corporation

July 24, 2008

By: *Edward J. Heffernan*

Name: Edward J. Heffernan

Title: Executive Vice President and Chief Financial Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated July 24, 2008.

Alliance Data Prices \$700 Million Convertible Senior Notes

Company to Use Net Proceeds to Repurchase Common Stock

DALLAS, July 24, 2008 /PRNewswire-FirstCall/ — Alliance Data Systems Corporation (NYSE: ADS) announced today the pricing of \$700 million aggregate principal amount of convertible senior notes due 2013 (the “Notes”) through offerings to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). Alliance Data has granted to the initial purchasers of the Notes an option to purchase up to an additional \$105 million aggregate principal amount of the Notes solely to cover over-allotments, if any. Holders of the Notes will have the right to require Alliance Data to repurchase for cash all or some of their Notes upon the occurrence of certain events.

The Notes will be general unsecured senior obligations of Alliance Data, will pay interest semi-annually at a rate of 1.75% per annum, will be convertible during certain periods and under certain circumstances and, subject to earlier repurchase by Alliance Data or conversion, will mature on August 1, 2013. Upon conversion, holders of the Notes will receive, at the election of Alliance Data, cash, shares of Alliance Data’s common stock or a combination of cash and shares of Alliance Data’s common stock, based on the applicable conversion rate at such time. The Notes have an initial conversion rate of 12.7392 shares of common stock per \$1,000 principal amount of the Notes (which is equal to an initial conversion price of approximately \$78.50 per share), representing an initial conversion premium of approximately 22.5% above the closing price of \$64.08 per share of Alliance Data’s common stock on July 23, 2008.

In connection with the offering of the Notes, Alliance Data entered into convertible note hedge transactions with one or more of the initial purchasers of the Notes or their respective affiliates (the “hedge counterparties”) and intends to use a portion of the net proceeds from the offering to pay for the convertible note hedge transactions. Alliance Data also entered into separate warrant transactions with the hedge counterparties, which will result in additional proceeds to Alliance Data. The warrants have an exercise price that is approximately 75% higher than the closing price of Alliance Data’s common stock on July 23, 2008.

In connection with the convertible note hedge and warrant transactions, the hedge counterparties have advised Alliance Data that they or their affiliates may enter into various derivative transactions with respect to Alliance Data’s common stock concurrently with or shortly after pricing of the Notes. These transactions could have the effect of increasing or preventing a decline in the price of Alliance Data’s common stock concurrently with or following the pricing of the Notes. In addition, the hedge counterparties or their affiliates may from time to time, following the pricing of the Notes, modify their respective hedge positions by entering into or unwinding various derivative transactions with respect to Alliance Data’s common stock or by purchasing or selling Alliance Data’s common stock in secondary market transactions during the term of the Notes (and are likely to do so during any cash settlement averaging period related to the conversion of the Notes). These activities could have the effect of decreasing the price of Alliance Data’s common stock and could adversely affect the price of the Notes during any cash settlement averaging period related to the conversion of the Notes.

Alliance Data expects to use the net proceeds of the offering to (i) fund the repurchase of approximately \$300 million worth of shares of Alliance Data common stock pursuant to a new repurchase program (under which up to \$1.3 billion of stock may be purchased in addition to the Company’s previously announced \$500 million repurchase program, of which approximately \$50 million remains), including concurrently with the issuance of the Notes through private block trades with one or more of the initial purchasers of the Notes, their affiliates, or both, and, from time to time, in open market purchases and in private transactions, (ii) pay approximately \$94 million, the cost of the convertible note hedge transactions, taking into account the proceeds to Alliance Data from the warrant transaction, each described above and (iii) free up borrowing capacity under its revolving credit facility by repaying two outstanding credit agreements in full.

If the initial purchasers exercise their option to purchase additional Notes, Alliance Data expects to use a portion of the net proceeds from the sale of the additional Notes to increase ratably the number of shares underlying the convertible note hedge transactions. The Company also expects the hedge counterparties to increase ratably the number of shares underlying the warrant transactions, which would result in additional proceeds to Alliance Data. Alliance Data expects to use the remainder of the net proceeds from the sale of additional Notes for the repurchase of shares of Alliance Data common stock from time to time under its new repurchase program in open market purchases and in private transactions.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from such registration requirements.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities (including the shares of Alliance Data common stock into which the Notes are convertible) and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

SOURCE: Alliance Data Systems Corporation

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