
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):

May 26, 2009

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))
-

Item 8.01 Other Events.

On May 26, 2009, Alliance Data Systems Corporation issued a press release announcing that it proposes to offer, subject to market conditions and other factors, \$300 million aggregate principal amount of convertible senior notes due 2014 (the "Notes") 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 May 26, 2009.

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

May 26, 2009

By: *Edward J. Heffernan*

Name: Edward J. Heffernan

Title: President and Chief Executive Officer

Exhibit Index

Exhibit No.	Description
99.1	Press release dated May 26, 2009.

Alliance Data Systems Corporation Announces Proposed Offering of \$300 Million Convertible Senior Notes

DALLAS, May 26, 2009 /PRNewswire-FirstCall/ — Alliance Data Systems Corporation (NYSE: ADS) announced today that it proposes to offer, subject to market conditions and other factors, \$300 million aggregate principal amount of convertible senior notes due 2014 (the “Notes”) to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). Alliance Data also intends to grant to the initial purchasers of the Notes an option to purchase up to an additional \$45 million aggregate principal amount of the Notes solely to cover over-allotments, if any.

Alliance Data expects to use the net proceeds of the offering and related warrant transactions (i) to repurchase an estimated amount of \$75.0 million worth of shares of Alliance Data common stock, (ii) to pay an estimated amount of \$39.3 million for the cost of convertible note hedge transactions entered into in connection with the offering, taking into account the anticipated proceeds to Alliance Data from related warrant transactions, each described below, and (iii) for general corporate purposes, which may include repayment of outstanding indebtedness under the Company’s revolving credit facility. The stock repurchase would be part of the Company’s previously announced stock repurchase program and would be paid for concurrently with the issuance of the Notes, pursuant to the terms of prepaid forward transactions entered into in connection with the offering of Notes.

The Notes will be general unsecured senior obligations of Alliance Data, will pay interest semi-annually, and will be convertible during certain periods and under certain circumstances. 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. 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 interest rate, conversion rate and other terms are to be determined by negotiations between Alliance Data and the initial purchasers.

In connection with the offering of the Notes, Alliance Data expects to enter 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 expects to enter into separate warrant transactions with the hedge counterparties, which would result in additional proceeds to Alliance Data, and anticipates that the warrants will have an exercise price that is approximately 75% higher than the closing price of Alliance Data’s common stock on the date the warrants are issued. Also in connection with the offering of the Notes, Alliance Data expects to enter into prepaid forward transactions with one or more of the initial purchasers of the Notes or their respective affiliates. Pursuant to the forward transactions, the Company would repurchase shares of its common stock, to be paid for concurrently with the closing of the Notes offering, with delivery of the purchased shares expected over a specified settlement period in 2014.

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 general corporate purposes, which may include repayment of outstanding indebtedness under the Company’s revolving credit facility.

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.

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

CONTACT: Julie Prozeller of Financial Dynamics, +1-212-850-5721