MORGENSTERN GEORGE

Form 4

January 10, 2005

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
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(Print or Type Responses)

1. Name and Address of Reporting Person * MORGENSTERN GEORGE	2. Issuer Name **and** Ticker or Trading Symbol DATA SYSTEMS & SOFTWARE INC [DSSI]	5. Relationship of Reporting Person(s) to Issuer (Check all applicable)
(Last)　　　(First)　　　(Middle)	3. Date of Earliest Transaction (Month/Day/Year) 12/30/2004	__X__ Director　　　_____ 10% Owner __X__ Officer (give title _____ Other (specify below)　　　below) 　　Chairman of Board, Pres. & CEO
C/O DATA SYSTEMS & SOFTWARE INC, 200 ROUTE 17 (Street)	4. If Amendment, Date Original Filed(Month/Day/Year)	6. Individual or Joint/Group Filing(Check Applicable Line) _X_ Form filed by One Reporting Person ___ Form filed by More than One Reporting Person
MAHWAH, NJ 07430		
(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)			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	(A) or (D)	Price			

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

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SEC 1474 (9-02)

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

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction Derivative	5. Number of Derivative	6. Date Exercisable and Expiration Date	7. Title and Amount Underlying Securitie

Security (Instr. 3)	or Exercise Price of Derivative Security		any (Month/Day/Year)	Code (Instr. 8)		Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		(Month/Day/Year)		(Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amou Numbe Shares
Stock Option	$ 0.91		12/30/2004	A[(1)]		180,000		06/30/2005[(2)]	01/02/2009	Common Stock	180,0

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MORGENSTERN GEORGE C/O DATA SYSTEMS & SOFTWARE INC 200 ROUTE 17 MAHWAH, NJ 07430	X		Chairman of Board, Pres. & CEO	

Signatures

/s/ Sheldon Krause, Attorney-in-Fact	01/04/2005
**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)   Grant of options under Issuer's 1994 Stock Incentive Plan.

(2)   The Options shall be exercisable in the following manner; 60,000 Options shall be exercisable on June 30, 2005, an additional 60,000 Options shall be exercisable on December 31, 2005 and the remaining 60,000 options shall be exercisable on June 30, 2006.

(3)   N/A

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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