

PAYMENT DATA SYSTEMS INC
Form 8-K
January 06, 2010

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) December 30, 2009

PAYMENT DATA SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

NEVADA (State or other jurisdiction of incorporation)	000-30152 (Commission File Number)	98-0190072 (IRS Employer Identification No.)
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12500 SAN PEDRO, SUITE 120, SAN ANTONIO, TEXAS (Address of principal executive offices)	78216 (Zip Code)
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Registrant's telephone number, including area code (210) 249-4100

(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 (see General Instruction A.2. below):

- 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 November 12, 2009, we commenced legal action against our customers Access Insurance Holdings, Inc., Access General Agency, Inc., Access General Insurance Agency of California, Inc., Access General Agency of Pennsylvania, Inc., Access General Agency of Florida, Inc., Access General Insurance Agency of Texas, Inc., Access General Agency of Arizona, Inc. and Access Adjusting Services, Inc. (collectively referred to as "Access General"), in the 285th Judicial District Court of Bexar County, Texas. We alleged that Access General breached the terms of its services agreements with us by violating the exclusivity provisions contained therein and sought to recover economic damages and attorneys' fees.

On December 30, 2009, we entered into a settlement agreement with Access General. Under the terms of the settlement, Access General agreed to pay us \$150,000 and we dismissed the pending litigation, with prejudice, and both parties released all claims against each other. Access General also agreed to pay us for actual chargeback amounts and associated fees as incurred. Additionally, Access General agreed to pay us monthly minimum processing fees of \$33.00 a month for each of the associated merchant accounts until June 30, 2010. We agreed to indemnify Access General against any third party early termination fees. On December 30, 2009, we received payment of \$150,000 from Access General in accordance with the terms of the settlement. We do not expect to incur any additional expenses associated with this litigation.

This report contains forward-looking statements that involve risks and uncertainties. We generally use words such as "believe," "may," "could," "will," "intend," "expect," "anticipate," "plan," and similar expressions to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons including our ability to implement our business plan, our ability to raise additional funds and manage our substantial debts, consumer acceptance of our products, our ability to broaden our customer base, and other risks described in our reports filed with the Securities and Exchange Commission from time to time. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and our future results, levels of activity, performance or achievements may not meet these expectations. We do not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in our expectations, except as required by law.

SIGNATURE

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.

Payment Data Systems, Inc.
(Registrant)

Date January 6, 2010

/s/ Michael R. Long
(Signature)
Michael R. Long
Chief Executive Officer and Chief Financial Officer

