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PAYMENT DATA SYSTEMS INC  
Form 8-K  
November 07, 2006

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) November 1, 2006

PAYMENT DATA SYSTEMS, INC.

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(Exact name of registrant as specified in its charter)

NEVADA	000-30152	98-0190072
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

12500 SAN PEDRO, SUITE 120, SAN ANTONIO, TEXAS	78216
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(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (210) 249-4100

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(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 1, 2006, the credit card association bank sponsor we utilize to provide merchant processing services to Online Supplier, one of our merchant processing customers, notified us that they would cease processing credit card transactions for Online Supplier. This action will not have any affect on our agreement with the sponsoring bank or our ability to provide merchant processing services to our other customers. We believe that we will be able to assist

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Online Supplier move its credit card volume to another bank sponsor. However, if we are unsuccessful in procuring a bank to accept their processing volume, we could lose Online Supplier as a merchant processing customer and their related processing revenue. During the quarter and nine months ended September 30, 2006, Online Supplier generated revenues of \$411,048 and \$482,078, respectively, which represented 46% and 27% of our total revenues for the quarter and nine months ended September 30, 2006, respectively. We did not have any credit card processing revenues from Online Supplier in 2005.

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 November 7, 2006

/s/ Michael R. Long

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(Signature)

Michael R. Long  
Chief Executive Officer and  
Chief Financial Officer