

PAYMENT DATA SYSTEMS INC
Form 8-K
March 02, 2007

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) February 27, 2007

PAYMENT DATA SYSTEMS,INC.
(Exact name of registrant as specified in its charter)

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| 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 |
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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))

ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On February 27, 2007, we entered into an Employment Agreement with Michael R. Long, our Chairman of the Board, Chief Executive Officer and Chief Financial Officer. The Agreement provides for base annual salaries of \$190,000 for 2007, \$300,000 for 2008 and \$375,000 for 2009 and thereafter through December 31, 2011. In addition, Mr. Long will receive a bonus of \$216,000 each November 1 during the term of the Agreement to be paid in cash or stock at our sole discretion. Upon execution of the Agreement, Mr. Long will receive cash of \$15,000, 500,000 shares of common stock from our Employee Stock Plan, and 2,500,000 shares of restricted common stock that vests annually in increments of 500,000 shares beginning on February 28, 2009.

On February 27, 2007, we entered into an Employment Agreement with Louis A. Hoch, our Vice Chairman of the Board, President and Chief Operating Officer. The Agreement provides for annual base salaries of \$175,000 for 2007, \$275,000 for 2008 and \$350,000 for 2009 and thereafter through December 31, 2011. In addition, Mr. Hoch will receive a bonus of \$216,000 each November 1 during the term of the Agreement to be paid in cash or stock at our sole discretion. Upon execution of the Agreement, Mr. Hoch will receive cash of \$15,000, 500,000 shares of common stock from our Employee Stock Plan, and 2,500,000 shares of restricted common stock that vests annually in increments of 500,000 shares beginning on February 28, 2009.

The foregoing description of the terms and conditions of the Employment Agreements is qualified in its entirety by, and made subject to, the more complete information set forth in the Employment Agreements between Payment Data Systems, Inc. and Michael R. Long and Louis A. Hoch, included on this Form 8-K as Exhibit 10.1 and 10.2, respectively, and incorporated herein by reference.

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.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

EXHIBIT NO.

DOCUMENT DESCRIPTION

10.1

Employment Agreement between the Company and Michael R. Long, dated February 27, 2007 (filed herewith).

10.2

Employment Agreement between the Company and Louis A. Hoch, dated February 27, 2007 (filed herewith).

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.

Date March 2, 2007

/s/ Michael R. Long

Michael R. Long

Chief Executive Officer