

Edgar Filing: PAYMENT DATA SYSTEMS INC - Form DEF 14A

PAYMENT DATA SYSTEMS INC

Form DEF 14A

April 29, 2005

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant |
Filed by a Party other than the Registrant |

Check the appropriate box:

| Preliminary Proxy Statement
| Confidential, for Use of the Commission only (as permitted by Rule
14a-6(e)(2))
| Definitive Proxy Statement
| Definitive Additional Materials
| Soliciting Material Pursuant to ss. 240.14a-11(c) or ss. 240.14a-12

Payment Data Systems, Inc.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

| No fee required.
| Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11:
4. Proposed maximum aggregate value of transaction:
5. Total fee paid:
| Fee paid previously with preliminary materials.
| Check box if any part of the fee is offset as provided by Exchange Act
Rule 0-11(a)(2) and identify the filing for which the offsetting fee was
paid previously. Identify the previous filing by registration statement
number, or the Form or Schedule and the date of its filing.
1. Amount Previously Paid:
2. Form, Schedule or Registration Statement No.:
3. Filing Party:
4. Date Filed:

PAYMENT DATA SYSTEMS, INC.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
JUNE 21, 2005

The annual meeting of stockholders of Payment Data Systems, Inc. (the "Company") will be held at the Hilton San Antonio Airport located at 611 NW Loop 410, San Antonio, Texas, 78216, on Tuesday, June 21, 2005, at 10:00 a.m., Central Time, (the "Annual Meeting") for the following purposes:

To elect one director to serve until the 2008 annual meeting of stockholders.

To ratify the appointment of the independent auditors of the Company.

To transact any other business that properly comes before the meeting.

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Stockholders of record at the close of business on April 29, 2005 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof (the "Record Date").

If you cannot attend the Annual Meeting in person, please sign and date the accompanying Proxy and return it promptly to the Company. This way, your shares will be voted as you direct even if you can't attend the meeting.

MICHAEL R. LONG
Chief Executive Officer

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE PROVIDE YOUR PROXY BY COMPLETING, SIGNING, DATING, AND PROMPTLY MAILING THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE SO THAT YOUR SHARES WILL BE REPRESENTED.

PAYMENT DATA SYSTEMS, INC.
PROXY STATEMENT
FOR
THE ANNUAL MEETING OF STOCKHOLDERS
JUNE 21, 2005

This Proxy Statement, the Notice of the Annual Meeting and the accompanying Proxy are being mailed to stockholders on or about May 6, 2005.

Proxy Solicitation Information

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Payment Data Systems, Inc. (the "Company") for use at the Annual Meeting of Stockholders to be held on 10:00 a.m., Central Time, Tuesday, June 21, 2005, at the Hilton San Antonio Airport located at 611 NW Loop 410, San Antonio, Texas, 78216 and at any adjournments thereof (the "Meeting").

Cost of Solicitation

The cost of this solicitation, including expenses in connection with preparing and mailing this Proxy Statement, will be borne by the Company. In addition, the Company will reimburse brokerage firms and other persons representing beneficial owners of Common Stock of the Company for their expenses in forwarding proxy material to such beneficial owners. In addition to solicitation by mail, officers, directors and employees of the Company, who will receive no extra compensation for their services, may solicit proxies personally or by telephone or facsimile.

Mailing of Proxy Statement and Proxy

This Proxy Statement and the accompanying Proxy will be mailed on or about May 6, 2005, to all Stockholders entitled to notice of and to vote at the Meeting.

Form 10-KSB

A copy of the Company's Annual Report for the fiscal year ended December 31, 2004 will be mailed concurrently with this Proxy Statement to each stockholder entitled to vote at the Meeting. The Annual Report is not part of the Proxy Statement. The Company will provide, without charge, a copy of the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004 and related financial statements and financial statement schedules to each stockholder entitled to vote at the Meeting, who requests a copy of such in writing. Requests should be sent to Payment Data Systems, Inc., 12500 San Pedro,

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Suite 120, San Antonio, Texas 78216.

Stockholders Entitled to Vote

The close of business on April 29, 2005 has been fixed as the record date for determining the Stockholders entitled to notice of and to vote at the Meeting. As of the close of business on April 29, 2005, there were 28,884,529 shares of Common Stock outstanding and entitled to vote. With respect to all matters that will come before the Meeting, each stockholder may cast one vote for each share registered in his or her name on the record date.

Quorum

The presence, in person or by proxy, of the holders of a majority of the shares of Common Stock issued, outstanding, and entitled to vote must be present to hold the Meeting. This is referred to as a quorum. Proxies received that withhold authority to vote for a nominee for election as a director and those that are marked as abstentions and broker non-votes will be counted for the purpose of determining whether a quorum is present.

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Votes Required for Election of Directors

The affirmative vote of the holders of a plurality of the votes cast by the stockholders entitled to vote at the Meeting is required for the election of directors. This means that the nominee receiving the highest number of "For" votes will be elected as director. A properly executed proxy marked "Withhold" with respect to the election of a nominee will not be counted as a vote "cast" or have any effect on the election of such nominee.

Votes Required for Ratification of Auditors

The affirmative vote of the holders of ten percent of the votes cast by the stockholders present or represented by proxy and entitled to vote at the Meeting is required for the approval of the vote for ratification of auditors. A properly executed proxy marked "Abstain" with respect to this proposal will be treated as shares present or represented and entitled to vote on such proposal and will have the same effect as a vote against the proposal.

Returned Proxy Cards Which Do Not Provide Voting Instructions

Proxies that are signed and returned will be voted in the manner instructed by a stockholder. If you sign and return your proxy card with no instructions, the proxy will be voted "For Nominee" with respect to the election of the nominee for director named in this Proxy Statement and "For" the proposal set forth in Item 2.

Broker Non-Votes

If you hold your shares of Common Stock in "street name" (that is, through a broker, bank or other representative), you are considered the beneficial owner of the shares held in street name. As the beneficial owner, you have the right to direct your broker how to vote. Brokers who have not received instructions from beneficial owners generally have the authority to vote on certain "routine" matters, including the election of directors and ratification of the selection of auditors. With respect to a non-routine matter, a broker is not permitted to vote such shares on your behalf as to such matter. Shares representing such "broker non-votes" with respect to a non-routine matter will not be voted in favor of such matter and will also not be counted as votes cast on such matter. Accordingly, "broker non-votes" will have no effect on the outcome of the vote.

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Changing Your Vote

You may revoke the proxy that you give the Company at any time before the proxy is voted at the Meeting. In order to do this, you must:

- send a written notice, stating your desire to revoke your proxy, to the Company,
- send the Company a signed proxy that bears a later date than the one you intend to revoke, or
- attend the Meeting and vote in person. In this case, you must notify the Inspector of Elections that you intend to vote in person.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, to our knowledge, certain information concerning the beneficial ownership of our Common Stock as of April 26, 2005 by each stockholder known by us to be (i) the beneficial owner of more than 5% of the outstanding shares of Common Stock, (ii) each current director, (iii) each of the executive officers named in the Summary Compensation Table who were serving as executive officers at the end of the 2004 fiscal year and (iv) all of our directors and current executive officers as a group:

NAME	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT
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5% STOCKHOLDERS		
CheckFree Investment Corporation 2920 Green Valley Road Building 3, Suite 321-19 Henderson, NV 89014	3,058,242 (2)	
NAMED EXECUTIVE OFFICERS AND DIRECTORS		
Michael R. Long	3,313,175 (3)	
Louis A. Hoch	2,904,829 (4)	
Larry Morrison	519,039 (5)	
Peter G. Kirby	593,500 (6)	
All executive officers and directors as a group (4 people)	7,330,543 (7)	