

# CALPIAN, INC.

## FORM 10-K (Annual Report)

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

Commission File No. 000-53997



**CALPIAN, INC.**

*( Exact name of registrant as specified in its charter )*

**Texas**

*( State or other jurisdiction of  
incorporation or organization )*

**20-8592825**

*( I.R.S. Employer  
Identification No. )*

**500 North Akard Street Suite 2850 , Dallas, TX 75201**

*( Address of principal executive offices )*

**214 - 758-8600**

*( Registrant's teleph one number, including area code )*

**Securities registered pursuant to Section 12(b) of the Exchange Act**

**None**

**Securities registered pursuant to Section 12(g) of the Exchange Act**

**Common Stock , Par Value \$.001 Per Share**

*( Title of class )*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.



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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The aggregate market value of the voting and non-voting common equity held by nonaffiliates as of June 30, 2012, was \$ 26,257,026, computed as the average bid and asked price of such common equity as of the last business day of the registrant's most recently completed second fiscal quarter. For purposes of the foregoing calculation, we have assumed that only directors, executive officers, and holders of 10% or more of the issuer's common capital stock are affiliates.

The number of shares outstanding of the registrant's common stock as of April 8, 2013 was 23,915,806.

**Documents Incorporated By Reference**

None

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## **INTRODUCTORY COMMENT**

In this Annual Report on Form 10-K, we refer to Calpian, Inc. as “Calpian,” “Company,” “we,” “us,” and “our.”

## **FORWARD-LOOKING STATEMENTS**

When used in this Report, the words “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “intend,” and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) regarding events, conditions and financial trends which may affect the Company’s future plans of operations, business strategy, operating results, and financial position. Such statements are not guarantees of future performance and are subject to risks and uncertainties and actual results may differ materially from those included within the forward-looking statements for various reasons, including those identified under “Risk Factors.” Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Except as required under federal securities laws and the rules and regulations of the United States Securities and Exchange Commission, the Company does not undertake, and specifically declines, any obligation to update any of these statements or to publicly announce the results of any revisions to any forward-looking statements after the distribution of this report, whether as a result of new information, future events, changes in assumptions, or otherwise.

This Report contains certain estimates and plans related to us and the industry in which we operate, which assume certain events, trends, and activities will occur and the projected information based on those assumptions. We do not know all of our assumptions are accurate. In particular, we do not know what level of acceptance our strategy will achieve, how many acquisitions we will be able to consummate or finance, or the size thereof. If our assumptions are wrong about any events, trends, or activities, then our estimates for future growth for our business also may be wrong. There can be no assurances any of our estimates as to our business growth will be achieved.

## **PART I**

### **ITEM 1 BUSINESS**

#### **ORGANIZATIONAL HISTORY**

Calpian, Inc., a Texas corporation headquartered in Dallas, Texas, was incorporated on May 30, 2006, as Toyzap.com, Inc., and became a public company on May 7, 2008, through a self-underwritten registered public offering of 4,000,000 shares of \$.001 par value common stock. The offering raised \$150,000 that was used to pursue a business strategy that never commenced operations. The “shell company”, Toyzap.com, Inc., was acquired by members of the Company’s current management team, affiliates thereof, and certain other purchasers, on April 23, 2010, pursuant to purchase agreements whereby approximately 99% of the Company’s then issued and outstanding common stock was acquired. At such time, the former management and Board of Directors resigned and a new management team and Board of Directors were appointed, who then redirected the business focus of the Company to the business plan described below. On September 3, 2010, the Company changed its name to “Calpian, Inc.” pursuant to approval obtained at a meeting of our shareholders. The Company’s common stock began trading in the over the counter (“OTC”) market on March 4, 2009, and it currently trades there under the symbol “CLPI.”

In March 2012, the Company acquired equity interests in Digital Payments Processing Limited (“DPPL”), a newly-organized company, and DPPL entered into a services agreement with My Mobile Payments Limited (“MMPL”). Both companies are organized under the laws of India and headquartered in Mumbai, India. The agreement provides for the Company to acquire an equity interest in DPPL of approximately 74% for \$9.7 million to be paid in quarterly tranches through January 2014 and the issuance of 6.1 million shares of our common stock. As of December 31, 2012, we had invested \$4.1 million and issued 2.4 million shares of our stock valued at \$3.6 million in exchange for a 45% equity interest in DPPL.

In March 2013, the Company formed a wholly-owned subsidiary, Calpian Commerce, Inc. (“CCI”), to own and operate the certain assets and liabilities of Pipeline Data, Inc. and its subsidiaries acquired in exchange for a cash payment of \$9.75 million. The acquisition was financed by expanding the Company’s senior credit facility from \$5 million to \$14.5 million.

Through our investment in DPPL and acquisition of CCI’s assets, we expect to build value for our shareholders and have as a goal the achievement of a higher EBITDA multiple in the U.S. equity markets by participating in a high-growth segment of the payments industry; however, there is no assurance the investment will meet our objectives.

## BUSINESS OVERVIEW

With the recent acquisition of assets comprising CCI, and once the Company attains majority ownership of DPPL, Calpian will have three business segments: acquisition of residuals ; electronic payments in India ; and independent sales office .

### CALPIAN – RESIDUAL PORTFOLIO ACQUISITIONS

We are in the business of acquiring recurring monthly residual income streams derived from credit card processing fees paid by retail merchants in the United States (“residual portfolios”). We act not as a credit card processor, but simply as a purchaser of revenue streams resulting from the relationships between processors and independent sales organizations (“ISOs”). In addition, we invest in payments-industry related opportunities.

Our purchases of residual portfolios are expected to range in size and complexity from one-time events involving a single portfolio to multiple events over an extended period covering the entire current, and possibly future, portfolios of an ISO. Our aim is to acquire merchant residual portfolios directly from the ISOs that originated the processing contracts with the merchants. In a residual portfolio purchase, we buy the rights to the residual revenue streams owned by the ISO for a negotiated amount. Prior to the acquisition, we and the ISO notify the processors of the plan to acquire the rights to the residual portfolio and direct that all future residual payments should be paid to us. Processors are required to approve the acquisition as a condition of closing.

#### Electronic Payment Processing Industry

We receive substantially all of our revenue from processing contracts with small- and medium-sized merchants for electronic payment (e.g., credit and debit card) processing services that have been sold by ISOs. The merchants within the electronic payment processing industry are segmented into three groups: (i) large merchants, (ii) medium-sized merchants, and (iii) small merchants who typically generate less than \$1.0 million in annual processing volume.

Payment processors focusing on large merchants including Elavon, Inc., Chase Paymentech Solutions, LLC, First Data Merchant Services Corporation, RBS Lynk, and National Processing Company (NPC/ Retriever Payment Systems), leverage their capital investment in processing infrastructure over the largest number of transactions to lower their marginal cost of processing a transaction. This scale allows these large processors to sell services at low per-transaction cost to the largest merchants with high processing volumes.

The payment processors with a medium-sized merchant focus compete based on a similar ability to leverage their infrastructure, but typically focus on regional and smaller national merchants. The small merchant segment is traditionally best served by the ISO sales channel.

#### Independent Sales Organizations

ISOs are independent sales agents, or a group of agents, contractually authorized to sell credit card processing related services on behalf of one or more credit card processors that are typically too small for a large processor to effectively sell, service, or reach with its centralized, national sales force. ISOs shepherd the merchant’s application for processing services through the labyrinth of approvals, credit checks, guarantees, etc. that are required before the merchant is approved to accept consumer credit cards for payment.

ISOs have two primary sources of revenues and profitability:

- Sales of credit card processing terminals to merchants represent a one-time profit opportunity. Historically, terminal markups were the most important source of immediate cash flow for ISOs but, due to market saturation and the lack of replacement technology, this source has diminished significantly in recent years.
- Credit card residual portfolios revenues provide an ongoing cash flow stream. For every merchant an ISO signs up on behalf of a processor, the ISO receives revenues based on the fees the merchant subsequently pays to the processor. The ISO sells credit card processing services at a retail price to the merchant and retains the difference between the retail price and the wholesale price paid to the processor. That difference provides the ISO with monthly residual revenues (“residuals”) that are a contractual obligation of the processor. The residuals vary month-to-month based on the merchant’s sales volume and remain in effect for as long as that merchant is a customer of the processor, but the right to receive them may terminate for a variety of reasons.

#### Processors

In addition to other tasks, processors handle credit card transactions originated by merchants and bill and collect the service fees from the merchant monthly. During the subsequent month, processors send the ISO a report detailing merchant

activity and residuals due the ISO along with a remittance of the funds thereby eliminating the need for the ISO to collect directly from the merchant.

Contracts for credit card processing services between the merchant and processor can be year-to-year with automatic renewals, but may have up to a three-year initial term. Merchant processing, however, is a competitive business and merchants do change processors, usually for a lower rate or promise of better service.

Attrition occurs when a merchant leaves its processor, typically due to either moving to another provider of processing services or going out of business. In exchange for the residual payment, the ISO is responsible for providing first-line customer service to the merchant on behalf of the processor. Common support issues include, but are not limited to, addressing malfunctioning point of sale (“POS”) terminals, answering questions about billing statements, and providing training. Most of these issues are successfully addressed by telephone and replacement terminals are commonly provided to merchants through overnight shipping services. ISOs are sales-focused organizations almost exclusively devoted to selling POS terminals and processing services.

### **Calpian’s Residual Portfolio Business Model**

The Company is in the business of acquiring ISO debit and credit processing residual revenue streams paid by transaction processors to ISOs. We expect the acquisition process, from the incoming inquiry by an ISO to closing, may take 60 to 90 days. We focus on, and take legal possession of, the residual stream. When a residual stream is acquired, we take steps to ensure the processor pays future residuals directly to us instead of to the ISO.

The ISO market is segmented into two categories, each with defined financial needs:

- Small ISOs with less than 2,000 merchants and financial requirements typically arising from the personal needs of the ISO’s owner (e.g., medical or educational); and
- Larger ISOs with financial needs driven by business issues such as expansion funding, partnership splits, and exit plans.

Calpian’s target market encompasses ISOs selling processing services to small- and medium-sized businesses with less than \$1.0 million in annual processing volume. We do not expect to compete for larger volume accounts or plan to buy portfolios made up of very large merchants for several reasons, including the hyper competitive pricing experienced in the large merchant segment and differing customer service needs. In addition, we believe large merchants generally represent an unacceptable concentration of revenue risk.

Our strategy is to concentrate acquisition activity on ISOs contracting with a select group of our preferred processors. In this way, we plan to build a merchant base of reliable, credit-worthy processors. Our preferred processors include, but are not limited to: Elavon, Chase Paymentech, First Data Merchant Services, RBS Lynk, and National Processing Company (NPC)/Retriever Payment Systems. We currently have contracts with Elavon and Chase Paymentech, but there is no assurance we will succeed in focusing our acquisition activities among ISOs that utilize these major processors.

To inform the ISO community of our acquisition capabilities, we advertise in industry trade journals, including Transaction World Magazine having a March 2013 issue distribution of more than 14,000 copies.

### **Residual Portfolio Competition**

We, and the ISOs from whom we intend to acquire portfolios, compete with a wide variety of processing service providers including, but not limited to, First Data Merchant Services, Elavon, Inc., a U.S. Bancorp subsidiary, JP Morgan Chase & Co. and its subsidiaries, NPC, Bank of America, Wells Fargo, RBS Lynk, iPayment, Innovative Merchant Services, an Intuit company, local and regional banks, and other ISOs. In addition, we may face merchant processing service competition from other entrants such as Google, Yahoo, Paypal, and eBay. We also expect to face competition at the ISO level for proposed acquisitions from other industry players such as Blue Pay, Frontstream Payments, Century Bankcard, Cutter Financial, and Stream Cash, as well as several individuals active in the business of acquiring residual portfolios. Because most of these competitors are larger than us and have significantly greater resources, we may not be able to successfully compete against them.

In operating our business, we expect to face competition on two levels: the small merchant level and the ISO level:

- The small merchant segment of the market is generally reached by ISOs and processors via telephone room sales and banks via walk-in branch sales. We compete in this highly competitive environment primarily by aggregating

the need for processing services across ISOs and securing processing contracts on terms more favorable to the ISOs than they can obtain on their own, and by securing more favorable contract terms between the merchant and the processor.

- On the ISO level, we compete with other ISOs and payment processors active in the highly competitive payment processing service industry by offering competitive processing rates to our ISO partners through our processing service providers to enable them to resell those services to merchants at competitive rates. In addition, ISOs considering a transaction with us may decide to seek financing instead from providers of loans to ISOs including RBL Capital, Resource Finance, SuperG funding, or commercial banks.

While we may find ourselves competing on the small merchant or ISO level with payment processors with which we may contract as our payment processing service provider, we believe many of the m may be unable to cost-effectively contract with small merchant s unless they utilize an intermediary such as an ISO . We also believe we have the opportunity to compete with processors for ISO resources as processors generally focus on specific markets or industries and, therefore, ISOs typically offer services from several different processors .

We compete for the acquisition of residual portfolios based on price , our ability to offer publicly traded stock, and the terms of our acquisition agreements which do not require merchants to change processors . Most buyers of portfolios require merchants to change their existing processors to the buyer's favored processors .

## **DIGITAL PAYMENTS PROCESSING LIMITED –ELECTRONIC PAYMENTS IN INDIA**

Our equity investee , Digital Payments Processing Limited and My Mobile Payments Limited work together to deliver a payment processing service , owned by MMPL, known as “Money-on-Mobile” (“MoM”). MoM allows individuals to use their cellular phones to make routine payments and to move money using simple text messaging (SMS technology). The distributor, retailer, customer contracts, and the license to operate issued by the Reserve Bank of India are the property of MMPL which maintains custody of customers' funds in accordance with India's regulations. DPPL owns and operates the customer support call center and sales support functions holding licenses from MMPL for all the intellectual property necessary to process transactions.

Calpian representatives Messrs. Montgomery and Pilote are two of the four members of DPPL's board of directors. Mr. Montgomery is Chairman of the DPPL board with a tie-breaking vote. Mr. Montgomery also is one of 6 members of MMPL's board. Mr. Shashank M. Joshi, a Calpian director, is a founder and managing director of both DPPL and MMPL.

### **Indian Payment Processing Market**

In India, the majority of personal payments are made in person with cash , and most routine services are paid in advance. Effecting the simplest transactions (e.g., buying cell-phone minutes , paying for cable or satellite television time, and paying electric or water bills) can be both time consuming and inconvenient. Typically each service has its own payment location meaning travel can be significant and waiting lines can be long. In addition, workers moving from the country to the city find the process of sending money home in cash or by courier can be risky, uncertain, and expensive. It is difficult to confirm receipt , and the recipient can experience significant delays in receiving the money.

India is the second largest mobile market in the world with about 400,000 telecom towers according to the “ 2011-12 Annual Report ” of the Telecom Regulatory Authority of India. It reports as of March 31, 2012 , India had 919.2 million cellular phone subscribers (64.8% urban – 35.2% rural), a year-over-year increase of 13.3%.

Currently in India, there are 15 cell and 6 “Direct to Home” (“DTH”) satellite television providers , and no one player is dominant in either market. Minutes of talk and viewing time are sold through company-owned or large retail stores. The proliferation of vendors presents a problem for small retailers who would like to sell minutes for a profit. In order to make sure they have minutes in inventory from the right provider, the retailer must have a relationship with each provider. Stores face a major capital expense in establishing this relationship and maintaining multiple inventories.

### **Money-on-Mobile Business Model**

MMPL launched its MoM service in April 2011 and currently has more than 32.5 million unique phone number users in a network of more than 118,000 retailers spanning almost every consumer market sector , and it processed over \$97 million in transactions in 2012.

MoM is a mobile wallet (“M-wallet”) similar to carrying a prepaid debit card on a mobile phone. It can be used to pay for goods and services from the mobile phone as well as making other financial transactions such as sending or receiving

money anytime and anywhere. The user can have a single personal account or link to multiple family and friend accounts for gifting purposes or transferring funds. All transactions are completed in real time.

For businesses, MoM acts as an intermediary, a single vendor providing minutes inventory from most cell and DTH providers, allowing a small retailer to sell minutes from any provider. MoM provides faster payment processing, financial transaction security, and services such as customer loyalty programs, discount schemes, and special promotions. MoM can compile up-to-date intelligence about its merchants' prospective customers from the ever-growing volume of daily transactions it processes allowing merchants to stay in touch with market trends and quickly make decisions about their promotion activities including mobile-based advertising.

MoM service uses cell telephone numbers to identify both the sender and the recipient. The user loads virtual currency into the MoM system paying cash at any one of thousands of independent retailer stores. To move funds from the user's account to another account, a text message to MoM tells who and what amount to pay. The amount is instantly deducted from the user's account and credited to the recipient's account, and both parties receive a confirmation within a few seconds.

## **CALPIAN COMMERCE, INC. – INDEPENDENT SALES OFFICE**

Our newly-formed subsidiary, Calpian Commerce, Inc. ("CCI"), provides the general merchant community access to an integrated suite of third-party merchant payment processing services and its own related proprietary software enabling products delivering credit and debit card-based internet payments processing solutions to small- and mid-sized merchants operating in physical "brick and mortar" business environments, and in settings requiring wired as well as wireless mobile payment solutions. It also operates as an ISO generating individual merchant processing contracts in exchange for future residual payments.

## **EMPLOYEES**

At December 31, 2012, Calpian employed 6 people. During the year, we utilized independent consultants to assist with accounting, financial reporting, and administrative matters. Our equity investee, DPPL, employed 169 full and part-time people. On March 15, 2013, our newly-formed subsidiary, CCI, employed 30 people.

Calpian and our affiliates have no employment or collective bargaining agreements and we believe our employee and independent contract or relationships are satisfactory.

## **INTELLECTUAL PROPERTY**

Among the assets acquired and comprising CCI are proprietary software products, trademarks, trade names, and other intellectual property together with the related patent and copyright filings and documents protecting such property.

## **GOVERNMENTAL REGULATIONS**

The industries in which we operate are subject to extensive governmental laws and regulations in the U.S. There are numerous laws and regulations restricting the purchase, sale, and sharing of personal information about consumers, many of which are new and continue to evolve; accordingly, it is difficult to determine whether and how existing and proposed privacy laws may apply to our businesses in the future. Also, there are numerous consumer statutes and regulations, including the Gramm-Leach-Bliley Act, regarding the possession of both consumer- and merchant-level data with which we must comply.

Payment system operators in India are subject to the Indian Payments and Settlement Systems Act 2007 and operate under the authority and board oversight of the Reserve Bank of India ("RBI"). In the licensing process, the RBI reviews the licensee's operations, systems, and processes and has the authority to revoke a license at any time should operations not continue to meet RBI standards, primarily those relating to the custody of, and accountability for, consumer funds.

## **ITEM 1A RISK FACTORS**

The following risk factors could materially affect our business, financial condition, and results of operations. These risk factors and other information in this Annual Report should be carefully considered in evaluating our business. They are provided for investors as permitted by the Private Securities Litigation Reform Act of 1995. It is not possible to identify or

predict all such factors and, therefore, the following should not be considered to be a complete statement of all the uncertainties we face.

### **Risks Relating To Our Business**

***We have limited operating history in the merchant residual and acquisition business and are operating at a loss. There is no guarantee we will become profitable which makes it difficult to predict future results and raises questions as to our ability to successfully develop profitable business operations.***

We revised our business model in 2010 to operate in the merchant acquisition industry and anticipate we will operate at a loss for some time. We have two years of financial results on which our potential may be judged. There can be no guarantee we will ever become profitable.

***Our success will be dependent on our management team for the foreseeable future.***

We believe our success depends on the continued service of our key executives. Although we currently intend to retain our existing management, we cannot assure such individuals will remain with us. We have no employment agreements with any individuals. The unexpected loss of the services of one or more of our key executives, directors, or advisors, or our inability to find suitable replacements within a reasonable period of time following any such loss, could have a material adverse effect on our ability to execute our business plan and, therefore, have a material adverse effect on our financial condition and results of operations.

***We may not be able to raise the additional capital necessary to execute our business strategy which could result in curtailment of our operations.***

Our ability to raise additional capital is uncertain and dependent on numerous factors beyond our control including, but not limited to, economic conditions and availability or lack of availability of credit. If we are unable to obtain additional financing, or if the terms thereof are too costly, we may be forced to curtail operations until such time as alternative financing is arranged which would have a material adverse impact on our planned operations.

***Any new or changes made to laws, regulations, card network rules or other industry standards affecting our business may have an adverse impact on our financial results.***

We are subject to numerous regulations that affect the electronic payments industry. Regulation and proposed regulation of the payments industry has increased significantly in recent years. Failure to comply with regulations may have an adverse effect on our business, including the limitation, suspension, or termination of services provided to, or by, third parties, and the imposition of penalties, including fines. We are also subject to U.S. financial services regulations, numerous consumer protection laws, escheat regulations, and privacy and information security regulations, among others. Changes to legal rules and regulations, or the interpretation or enforcement thereof, could have a negative financial effect on the Company. We are also subject to the rules of Visa, MasterCard, and various other credit and debit networks. Furthermore, we are subject to the Housing Assistance Tax Act of 2008, which requires information returns to be filed by merchant acquiring entities for each calendar year starting in 2011.

Interchange fees, which are typically paid by the acquirer to the issuer in connection with transactions, are subject to increasingly intense legal, regulatory, and legislative scrutiny. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which was signed into law in July 2010, significantly changes the U.S. financial regulatory system, including by regulating and limiting debit card fees charged by certain issuer banks and allowing merchants to offer discounts for different payment methods, as well as other measures. The impact of the Dodd-Frank Act on the Company is difficult to estimate, as it will take time for the market to react and adjust to regulations that have been implemented and because certain additional regulations have yet to be developed.

Regulatory actions such as these, even if not directed at us, may require us to make significant efforts to change our products and services and may require that we change how we price our services to customers. Furthermore, regulatory actions may cause changes in business practices by us and other industry participants which could affect how we market, price and distribute our products and services. These regulations may materially and adversely affect the Company’s business or operations, either directly or indirectly.

***We have faced, and may face in the future, significant chargeback liability and liability for merchant or customer fraud, which we may not be able to accurately anticipate.***

We have potential liability for chargebacks associated with the transactions we process. If a billing dispute between a merchant and a cardholder is not ultimately resolved in favor of the merchant, the disputed transaction is “charged back” to the merchant’s bank and credited to the account of the cardholder. If we or our sponsoring banks are unable to collect the chargeback from the merchant’s account, or, if the merchant refuses or is financially unable (due to bankruptcy or other

reasons) to reimburse the merchant's bank for the chargeback, we bear the loss for the amount of the refund paid to the cardholder's bank.

We also have potential liability for losses caused by fraudulent card-based payment transactions. Card fraud occurs when a merchant's customer uses a stolen card (or a stolen card number in a card-not-present transaction) to purchase merchandise or services. In a traditional card-present transaction, if the merchant swipes the card, receives authorization for the transaction from the card issuing bank and verifies the signature on the back of the card against the paper receipt signed by the customer, the card issuing bank remains liable for any loss. In a fraudulent card-not-present transaction, even if the merchant receives authorization for the transaction, the merchant is liable for any loss arising from the transaction. Many of the small merchants that we serve are small businesses that transact a substantial percentage of their sales in card-not-present transactions over the Internet or in response to telephone or mail orders, which makes these merchants more vulnerable to customer fraud than larger merchants. Because substantially all of the merchants we serve are small merchants, we experience chargebacks arising from cardholder fraud more frequently than providers of payment processing services that service larger merchants.

Merchant fraud occurs when a merchant, rather than a customer, knowingly uses a stolen or counterfeit card or card number to record a false sales transaction, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Anytime a merchant is unable to satisfy a chargeback, we are responsible for that chargeback. We have established systems and procedures to detect and reduce the impact of merchant fraud, but we cannot be sure that these measures are or will be effective. It is possible that incidents of fraud could increase in the future. Failure to effectively manage risk and prevent fraud could increase our chargeback liability.

***We rely on bank sponsors, which have substantial discretion with respect to certain elements of our business practices, in order to process bankcard transactions. If these sponsorships are terminated and we are not able to secure or successfully migrate merchant portfolios to new bank sponsors, we will not be able to conduct our business.***

Because we are not a bank, we are unable to belong to and directly access the Visa and MasterCard bankcard associations. Visa and MasterCard operating regulations require us to be sponsored by a bank in order to process bankcard transactions. We are currently registered with Visa and MasterCard through the sponsorship of banks that are members of the card associations.

Our sponsoring banks may terminate their agreements with us if we materially breach the agreements and do not cure the breach within an established cure period, if our membership with Visa or MasterCard terminates, if we enter bankruptcy or file for bankruptcy, or if applicable laws or regulations, including Visa and MasterCard regulations, change to prevent either the applicable bank or us from performing services under the agreement. If these sponsorships are terminated and we are unable to secure a bank sponsor, we will not be able to process bankcard transactions. Furthermore, our agreements with our sponsoring banks provide the sponsoring banks with substantial discretion in approving certain elements of our business practices, including our solicitation, application and qualification procedures for merchants, the terms of our agreements with merchants, the processing fees that we charge, our customer service levels, and our use of sales agents. We cannot guarantee that our sponsoring banks' actions under these agreements will not be detrimental to us, nor can we provide assurance that any of our sponsoring banks will not terminate their sponsorship of us in the future.

***If we or our bank sponsors fail to adhere to the standards of the Visa and MasterCard payment card associations, our registrations with these associations could be terminated, and we could be required to stop providing payment processing services for Visa and MasterCard.***

Substantially all of the transactions we process involve Visa or MasterCard. If we or our bank sponsors fail to comply with the applicable requirements of the Visa or MasterCard payment card associations, Visa or MasterCard could suspend or terminate our registration. The termination of our registration or any changes in the Visa or MasterCard rules that would impair our registration could prevent us from providing payment processing services.

***We rely on third-party processors and service providers; if they fail or no longer agree to provide their services, our merchant relationships could be adversely affected and we could lose business.***

We rely on agreements with several large payment processing organizations to enable us to provide card authorization, data capture, settlement and merchant accounting services and access to various reporting tools for the merchants we serve. We also outsource to third parties other services, such as reorganizing and accumulating daily transaction data on a merchant-by-merchant and card issuer-by-card issuer basis and forwarding the accumulated data to the relevant bankcard associations. Many of these organizations and service providers are our competitors, and we do not have long-term contracts with most of them. Typically, our contracts with these third parties are for one-year and are subject to cancellation upon limited notice by either party. The termination by our service providers of their arrangements with us or

their failure to perform their services efficiently and effectively may adversely affect our relationships with the merchants whose accounts we serve and may cause those merchants to terminate their processing agreements with us.

***Unauthorized disclosure of merchant and cardholder data, whether through breach of our computer systems or otherwise, could negatively impact our operations and expose us to protracted and costly litigation.***

We may collect and store limited data about merchants and their principal owners, including names, addresses, social security numbers, driver's license numbers, checking and savings account numbers, and payment history records. In addition, we maintain a limited database of cardholder data relating to specific transactions, including card numbers and cardholder addresses, in order to process the transactions, for fraud prevention and other internal processes. If a person penetrates our network security or otherwise misappropriates sensitive merchant or cardholder data, we could be subject to liability or business interruption.

Although we generally require that our agreements with our sales agent and other service providers who may have access to merchant and customer data include confidentiality obligations that restrict these parties from using or disclosing any customer or merchant data except as necessary to perform their services under the applicable agreements, we cannot guarantee that these contractual measures will prevent the unauthorized disclosure of merchant or customer data by the sales agent or service providers. In addition, our agreements with financial institutions (as well as card association requirements) require us to take certain protective measures to ensure the confidentiality of merchant and consumer data. Any failure to adequately comply with these protective measures could result in fees, penalties, and/or litigation.

***Our reputation could be damaged as a result of negative publicity.***

We depend upon our reputation to compete for agents, merchants, and employees. Unfavorable publicity can damage our reputation and negatively impact our economic performance.

***We are the subject of legal proceedings which could have a material adverse effect on our business, financial condition or operating results.***

We are involved in litigation matters. If the Company is unsuccessful in its defense in the litigation matters, or any other legal proceeding, it may be forced to pay damages or fines and/or change its business practices, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations. For more information about the Company's legal proceedings, see "Legal Proceedings."

## **Risks Relating to Industry**

***If we fail to comply with the applicable requirements of the processing agreements, some or all of the card brands with which we do business could seek to fine us, suspend us, or terminate our registrations. Fines could have an adverse effect on our operating results and financial condition, and, if these registrations are terminated, we would not be able to conduct our business.***

If we are unable to comply with processing agreement requirements, the card brands with which we do business could seek to fine us, suspend our processors from processing transactions. The termination of registration or any changes in the card brands' rules that would impair our registration could make it impossible for us to conduct our business.

***The payments industry is highly competitive and we expect to compete with larger firms having greater financial resources. Such competition could increase and adversely influence our prices to merchants and our operating margins.***

We compete in a highly competitive market with a wide variety of processing service providers including, but not limited to, First Data Merchant Services, Elavon, Inc., a U.S. Bancorp subsidiary, JP Morgan Chase & Co. and its subsidiaries, Vantiv, Bank of America, Wells Fargo, Worldpay, iPayment, Heartland Payment Systems, Global Payments, TSYS Merchant Solutions, Innovative Merchant Services, an Intuit company, local and regional banks, and other ISOs. These and other providers have established a sizable market share in the small- and medium-size merchant processing sector. Developing and maintaining our growth will depend on a combination of the continued growth in electronic payment transactions and our ability to increase our market share. If competition causes us to reduce the prices we charge, we will have to aggressively control our costs in order to maintain acceptable results of operations.

The primary competitive factors in our industry are the price of services rendered and the contractual terms between the merchant and the processor. Our competitors that are financial institutions or subsidiaries of financial institutions do not incur the costs associated with being sponsored by a bank for registration with the card. These competitors have substantially greater financial, technological, management, and marketing resources than we have. This may allow them to offer more attractive fees to our current and prospective merchants, or offer other products or services that we do not. This

could result in a loss of customers, greater difficulty attracting new customers, and a reduction in the price we can charge for our services.

The market for credit and debit card processing services is highly competitive and has relatively low barriers to entry. The level of competition has increased in recent years as other providers of processing services have established a sizable market share in the small merchant processing sector. Some of our competitors are financial institutions, subsidiaries of financial institutions or well-established payment processing companies that have substantially greater capital, technological, management and marketing resources than we have. There are also a large number of small providers of processing services that provide various ranges of services to small and medium sized merchants. This competition may effectively limit the prices we can charge and requires us to control costs aggressively in order to maintain acceptable profit margins. Further, if the use of cards other than Visa or MasterCard, such as American Express, grows, or if there is increased use of certain debit cards, our average profit per transaction could be reduced. In addition, our competitors in recent years have consolidated as large banks merged and combined their networks. This consolidation may also require that we increase the consideration we pay for future acquisitions and could adversely affect the number of attractive acquisition opportunities presented to us. Our future competitors may develop or offer services that have price or other advantages over the services we provide. If they do so and we are unable to respond adequately, our business, financial condition, and results of operations could be materially adversely affected.

### **Risks Relating To Acquisitions**

***Revenues and profits generated by acquired businesses or account portfolios may be less than anticipated, resulting in losses or a decline in profits, as well as potential impairment charges.***

In evaluating and determining the purchase price for a prospective acquisition, we estimate the future revenues and profits from that acquisition based on the historical revenue of the acquired provider of payment processing services or portfolio of merchant accounts. Following an acquisition, it is customary to experience some attrition in the number of merchants serviced by an acquired provider of payment processing services or included in an acquired portfolio of merchant accounts. Should the rate of post-acquisition merchant attrition exceed the rate we forecasted, the revenues and profits generated by the acquired providers of payment processing services or portfolio of accounts may be less than we estimated, which could result in losses or a decline in profits, as well as potential impairment charges.

***We may fail to uncover all liabilities of acquisition targets through the due diligence process prior to an acquisition, exposing us to potentially significant, unanticipated costs.***

Prior to the consummation of any acquisition, we perform a due diligence review of the business or portfolio of merchant accounts that we propose to acquire. Our due diligence review, however, may not adequately uncover all of the contingent or undisclosed liabilities we may incur as a consequence of the proposed acquisition. For example, in the past we may have been obligated to fund certain credits and charge-backs after discovering that a merchant account from an acquired merchant processing portfolio was in substantial violation of the Visa and MasterCard card association rules. In the future we may make acquisitions that may obligate us to make similar payments resulting in potentially significant, unanticipated costs.

***We may not be able to integrate recently acquired companies or potential future acquisitions into our company, and resources available to assist our acquired companies may be insufficient.***

We have made strategic acquisitions and we intend to continue to make such acquisitions in accordance with our business plan. Each acquisition involves a number of risks, including:

- the diversion of our management's attention to the assimilation and ongoing assistance with the operations and personnel of the acquired business, which could strain management's resources;
- the potential for our affiliated companies to grow rapidly and adversely affect our ability to assist our affiliated companies as intended;
- possible adverse effects on our results of operations and cash flows ;
- possible inability by us to achieve our intended objective or goals of the acquisition;
- possible inability by acquisition to retain and maintain strategic vendors or contacts; and
- our inability to assist our affiliated companies as intended or to acquire and integrate businesses under our business plan could negatively impact our operations, financial results and cash flows .

### **Risks Relating To Government Regulation**

***We may find our business operations are regulated by current privacy laws, such as the Gramm-Leach Bliley Act, and that we are not in compliance with such laws and regulations as it applies to consumer information we may process and collect.***

The laws governing privacy generally remain unsettled; however, even in areas where there has been some legislative action such as the Gramm-Leach-Bliley Act (the “Act”) and other consumer statutes, it is difficult to determine whether and how existing privacy laws apply to our business. For example, the Act requires nonaffiliated third-party service providers to financial institutions to take certain steps to ensure the privacy and security of financial information; however, the law is new and there have been few rulings interpreting its provisions. We may be mistaken in our belief that our activities fall under exceptions to the consumer notice and opt-out requirements contained in the Act and find that we are not in compliance with these laws, or that we may not be able to become compliant, if at all, without significant time and expense. The cost of compliance or limitation on our business operations if we must restrict our access to and use of consumer information could adversely affect our ability to provide the services we intend to offer to our merchants or could impair the value of these services.

***New and potential governmental regulations designed to reduce, regulate, or change interchange costs, network access fees or any other fee charged to a merchant or the terms of merchant contracts, or to require specified data security levels on transactions, or the enactment of any other additional regulations or modifications of existing regulations could adversely affect our results of operations.***

Due to changing regulations at various levels of government, we are unable to determine the potential outcomes of the regulations. For example, the “Durbin Amendment” legislation was enacted to regulate the basis on which interchange rates for debit card transactions are made so as to ensure that interchange rates are “reasonable and proportionate to costs.” The amendment could limit the debit card interchange fees paid by retailers to ISOs and potentially limit the revenue we could derive from interchange fee markups. The likelihood of future similar legislation is uncertain. In addition, federal or state legislation could be enacted requiring ISOs like our Company to be responsible for data security with respect to transactions in which it is involved despite never having access to, or being in possession of, any consumer data. Such regulations would have an adverse impact on our economic results due to both reduction in revenues and increases in operating expenses.

***Governments experiencing budget deficits may impose taxes on us or our service providers we cannot pass on to or merchants which would increase our operating costs.***

We and our service providers may become subject to additional U.S., state, or local taxes that, by regulation, cannot be passed through to our merchants which would increase our operating costs.

***New and potential governmental regulations designed to protect or limit access to consumer information could adversely affect our ability to provide, or the value of, the services we currently provide to our merchants.***

Due to the increasing public concern over consumer privacy rights, governmental bodies in the United States and abroad have adopted, and are considering adopting, additional laws and regulations restricting the purchase, sale and sharing of personal information about customers. For example, the Gramm-Leach-Bliley Act requires non-affiliated third-party service providers to financial institutions to take certain steps to ensure the privacy and security of consumer financial information. We believe our present activities fall under exceptions to the consumer notice and opt-out requirements contained in this law for third-party service providers to financial institutions. However, the laws governing privacy generally remain unsettled. Even in areas where there has been some legislative action, such as the Gramm-Leach-Bliley Act and other consumer statutes, it is difficult to determine whether and how existing and proposed privacy laws or changes to existing privacy laws will apply to our business. Limitations on our ability to access and use customer information could adversely affect our ability to provide the services we currently offer to our merchants or impair the value of these services.

Several states have proposed legislation that would limit the use of personal information gathered using the Internet. Some proposals would require proprietary online service providers and website owners to establish privacy policies. Congress has also considered privacy legislation that could further regulate the use of consumer information obtained over the Internet or in other ways. Our compliance with these privacy laws and related regulations could materially affect our operations.

Changes to existing laws or the passage of new laws could:

- create uncertainty in the marketplace that could reduce demand for our services;
- restrict or limit our ability to sell certain products and services to certain customers;
- limit our ability to collect and to use merchant and cardholder data;
- increase the cost of doing business as a result of litigation costs or increased operating costs ; or
- in some other manner have a material adverse effect on our business, results of operations and financial condition.

Any change in the regulatory environment could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to federal and state laws regarding anti-money laundering, including the Patriot Act, and if we break any of these laws we could be subject to significant fines and/or penalties, and our ability to conduct business could be limited.***

We are subject to U.S. federal anti-money laundering laws and the requirements of the Office of Foreign Assets Control (OFAC), which prohibit us from transmitting money to specified countries or on behalf of prohibited individuals. The money transfer business has been subject to increased scrutiny following the events of September 11, 2001. The Patriot Act, enacted following those events, mandates several new anti-money laundering requirements. The federal government or the states may elect to impose additional anti-money laundering requirements. Changes in laws or regulations that impose additional regulatory requirements, including the Patriot Act, could increase our compliance and other costs of doing business, and therefore have an adverse effect on our results of operation.

Failure to comply with the laws and regulatory requirements of federal and state regulatory authorities could result in, among other things, revocation of required registrations, loss of approved status, termination of contracts with banks, administrative enforcement actions and fines, class action lawsuits, cease and desist orders and civil and criminal liability. The occurrence of one or more of these events could materially adversely affect our business, financial condition and results of operations.

If we were to inadvertently transmit money on behalf of, or unknowingly conduct business with, a prohibited individual, we could be required to pay significant damages, including fines and penalties. Likewise, any intentional or negligent violation of anti-money laundering laws by our employees could lead to significant fines and/or penalties, and could limit our ability to conduct business in some jurisdictions.

### **Risks Relating To Our Common Stock**

***Our issuance of preferred stock could adversely affect the value of our common stock.***

Our Certificate of Formation provides for the issuance of up to 1.0 million shares of what is commonly referred to as “blank check” preferred stock. Such stock may be issued by our Board of Directors from time to time, without shareholder approval, as one or more separate series of shares as designated by resolution of our Board setting forth the relative rights, privileges, and preferences of the series, including, if any, the: (i) dividend rate; (ii) price, terms, and conditions of redemption; (iii) voluntary and involuntary liquidation preferences; (iv) provisions of a sinking fund for redemption or repurchase; (v) terms of conversion to common stock, including conversion price; and (vi) voting rights. The issuance of such shares, with superior rights and preferences, could adversely affect the interests of holders of our common stock and potentially the value of our common stock. Our ability to issue such preferred stock also could give our Board of Directors the ability to hinder or discourage any attempt to gain control of us by a merger, tender offer at a control premium price, proxy contest, or otherwise.

***Our common stock is deemed “penny stock” and, therefore, subject to special requirements making the trading of our common stock more difficult than for stock of a company that is not deemed “penny stock.”***

A “penny stock” as defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934 is a stock: (i) trading at a price of less than five dollars (\$5.00) per share; (ii) not traded on a “recognized” national exchange; (iii) whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ-listed stocks must still meet requirement (i) above); or (iv) of an issuer having net tangible assets of less than \$2.0 million (if the issuer has been in continuous operation for at least three years) or \$5.0 million (if in continuous operation for less than three years), or with average revenues of less than \$6.0 million for the last three years.

Section 15(g) of the Exchange Act, and Rule 15g-2 promulgated thereunder, require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor’s account. Moreover, Rule 15g-9 promulgated under the Exchange Act requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to: (i) obtain information concerning the investor’s financial situation, investment experience, and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor’s financial situation, investment experience, and investment objectives.

Compliance with the foregoing requirements may make it more difficult for investors in our common stock to resell their shares to third parties or to otherwise dispose of them.

***We do not have any independent directors.***

We have no “independent directors” as defined in Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market and our Board of Directors may never have a majority of independent directors. In the absence of a majority of independent directors, our existing directors, who also are significant shareholders, could establish policies and enter into transactions without independent review and approval.

***Our executive officers, directors, and major shareholders hold a majority of our common stock and may be able to prevent other shareholders from influencing significant corporate decisions.***

Our directors and executive officers beneficially own a significant portion of our outstanding common stock. As a result, acting together they would be able to influence many matters requiring shareholder approval, including the election of directors and approval of mergers and other significant corporate transactions. This concentration of ownership may have the effect of delaying, preventing, or deterring a change in control, and could deprive our shareholders of an opportunity to receive a premium for their shares of common stock as part of a sale of our company and may affect the market price of our stock.

***The price of our common stock may be volatile, which could cause our investors to incur trading losses and fail to resell their shares at or above the price they paid for them. Our securities are currently quoted on the OTC and, thus, your ability to sell your shares in the secondary market may be limited.***

We cannot predict the extent to which investor interest will lead to the development of an active and liquid trading market in our common stock. The failure to achieve and maintain an active and liquid market for our common stock means that you may not be able to dispose of your common stock in a desirable manner and the price for our shares may fluctuate greatly.

Moreover, some companies that have had volatile market prices for their securities have been subject to securities class action suits filed against them. If a suit were to be filed against us, regardless of the outcome, it could result in substantial costs and a diversion of our management’s attention and resources. This could have a material adverse effect on our business, results of operations and financial condition.

## **Risks Relating To Our Equity Investment In India**

***We lack overseas investing experience.***

DPPL is our first investment outside of the U.S. and our management team has limited international investing experience. We could misunderstand regulatory, cultural, or other pervasive aspects of doing business in India that could negatively impact our investment or our results of operations.

***We will need to raise additional capital in order to complete our investment in DPPL, and failure to do so will limit the benefits we seek to attain from a significant equity interest.***

Although we plan to raise additional capital through the sale of equity or debt securities, or a combination thereof, there is no assurance we will be able to raise such funds on terms acceptable to us in a timely manner, or at all. If we are unable to raise the capital when needed, we could be limited to a minority equity position in DPPL and the benefits we seek through a larger percentage ownership will not be attained.

***DPPL’s services agreement with MMPL is its sole source of revenue and many risks associated with one are equally applicable to the other.***

DPPL’s sole source of revenues is from providing services to MMPL; consequently, matters impacting MMPL will also impact DPPL, and general business and economic risks identified with one apply equally to the other.

***We anticipate the industry in which MMPL operates will be subject to intense competition.***

There are several direct competitors to MMPL currently conducting business in India, and some have access to large markets of existing phone subscribers. Once these companies fully implement their strategies, the competition in India for the services being provided by MMPL may intensify significantly.

***The payments industry in India is subject to extensive regulation.***

Payment system operators like MMPL are subject to the Indian Payments and Settlement Systems Act 2007 and operate under the authority and board oversight of the Reserve Bank of India (“RBI”). Although the RBI has reviewed the operations, systems, and processes of MMPL, and has licensed it to operate a payments system in India through October

24, 2013 (automatic renewal for 7-year terms), the RBI has the authority to revoke this license at any time should MMPL's operations not continue to meet standards primarily relating to the custody of, and accountability for, consumer funds. Such revocation would seriously and negatively affect the value of our investment in DPPL. In addition, increased regulatory focus could result in additional obligations or restrictions with respect to the services MMPL provides.

***MMPL is subject to the risks faced by new businesses.***

MMPL is an early-stage company with a limited operating history and is, therefore, subject to many of the risks and uncertainties faced by new enterprises. There is no assurance MMPL will be able to manage its business effectively, identify, employ, and retain any needed management or technical personnel, further develop and implement its services, obtain third-party contracts or financing, or achieve the other components of its business plan.

***MMPL's services may not gain wide acceptance in the market.***

Because the majority of personal payments in India have historically been made in person, in cash, and in advance, there is no assurance the services provided by MMPL will be generally accepted by the Indian consumer.

***Evolving products and technological changes could make MMPL's services obsolete.***

We anticipate the services being offered by MMPL will continue to evolve and be subject to technological change. Accordingly, MMPL's ability to maintain a competitive advantage and build its business requires it to continually invest in research and development. Many of the companies we expect to compete with MMPL have greater capital resources, research and development staffs, and facilities than MMPL. MMPL's services could be rendered obsolete by the introduction and market acceptance of competing services, technological advances by current or potential competitors, or other approaches.

***MMPL's technology platform will require upgrades.***

MMPL's processing technology platform will require upgrades to meet the company's business plan, and new problems or delays could develop and limit MMPL's ability to grow.

***Political, economic, social, and other factors in India may adversely affect businesses.***

The ability for businesses to grow may be adversely affected by political, economic, and social factors or changes in Indian law or regulations or the status of India's relations with other countries. In addition, there may be significant differences between the Indian and U.S. economies such as the rate of gross domestic product growth, the rate of inflation, capital reinvestment, resource self-sufficiency, and balance of payments positions.

Government actions in the future could have a significant effect on the Indian economy and have a material adverse effect on the ability of DPPL and MMPL to achieve their business objectives.

***Terrorist attacks and other acts of violence or war within India or involving India and other countries could adversely affect the financial markets and businesses.***

Terrorist attacks and other acts of violence could have the direct effect of destroying property causing a loss and interruption of business. For example, India has, from time to time, experienced civil unrest and hostilities with neighboring countries such as Pakistan. The longstanding dispute with Pakistan over the border Indian states of Jammu and Kashmir remains unresolved. If the Indian government is unable to control the violence and disruption associated with these tensions, the results could destabilize the economy and, consequently, adversely affect businesses.

Since early 2003, there also have been military hostilities and civil unrest in the Mideast and other Asian countries. Also, India has seen an increase in politically motivated insurgencies and a fairly active communist following. Any hostilities or civil unrest could adversely influence the Indian economy and, as a result, negatively affect businesses.

***Changes in the exchange rate of the Indian rupee versus the U.S. dollar result in earnings volatility and could negatively impact our reported earnings and the ultimate return on our investment.***

DPPL's functional currency is the Indian rupee, and its financial statements must be converted to U.S. dollars when preparing our financial statements. Changes in the exchange rate between the two currencies can cause reported financial results to fluctuate and a weakening rupee relative to the U.S. dollar would negatively impact our earnings. Additionally, the return on our investment in DPPL, if any, may be less than expected if the exchange rates are less favorable at the time of realization.

***Exchange controls in India may limit DPPL's ability to utilize its cash flow effectively.***

We expect to be subject to India's rules and regulations on currency conversion with respect to our investments in DPPL. In India, the Foreign Exchange Management Act ("FEMA") regulates the conversion of the Indian rupee into foreign

currencies. Today, companies in many industries are permitted to operate in India without any special restrictions, effectively placing them on par with wholly, Indian-owned companies. Foreign exchange controls also have been substantially relaxed. However, the Indian foreign exchange market is not yet fully developed, and there is no assurance the Indian authorities will not revert to regulating companies and imposing new restrictions on the convertibility of the Indian rupee. Any future restrictions on currency exchanges may limit our ability to repatriate DPPL’s earnings or receive distributions on our investment.

***We may have difficulty effecting service of process or enforcing judgments obtained in the U.S. against MMPL.***

MMPL is organized in India and all of its assets are located in India. As a result, in the event of a dispute between MMPL and us, we may be unable to effect service of process upon MMPL outside of India. In addition, we may be unable to enforce against MMPL judgments obtained in U.S. courts.

**ITEM 1B UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2 PROPERTIES**

Our leased office facilities are listed in the following table. We believe our current facilities have the capacity to meet our needs for the foreseeable future and alternate or additional space is readily available near our current locations should we need to move or acquire additional space.

<u>Location</u>	<u>Approximate Square Feet</u>
Calpian, Inc.	
Dallas, Texas	6,000
Calpian Commerce, Inc.	
Brasher Falls, New York	5,578
Alpharetta, Georgia	3,320
Libertyville, Illinois	437
Digital Payments Processing Limited	
Mumbai, India	3,500

**ITEM 3 LEGAL PROCEEDINGS**

On September 18, 2012, National Bankcard Systems, Inc. ("NBS") filed suit in the District Court of Dallas County, Texas against Calpian Residual Partners V, LP ("CRPV") and Calpian alleging breach of the Residual Purchase Agreement dated November 4, 2008, between CRPV and NBS and certain other improprieties by CRPV. Plaintiff has alleged damages on the date the suit was filed of \$729,000 including unpaid merchant servicing fees, compensation for residuals added after Calpian acquired the portfolio, and attorney fees. Plaintiff further alleges that damages continue to grow, but will not specify an amount. Craig Jessen, our President, and Harold Montgomery, our CEO, are members of our Board of Directors and substantial shareholders of Calpian, and are executive officers of CRPV, but CRPV is not otherwise an affiliate of Calpian. Each of the Residual Purchase Agreement and the related alleged improprieties of CRPV arose prior to Calpian's acquisition of the underlying residual portfolio on December 31, 2010. The case is currently in the discovery phase and the matter is set for trial in September 2013.

**ITEM 4 MINE SAFETY**

Not applicable.

**PART II**

**ITEM 5 MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCK HOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Market Information**

Calpian common stock is traded in the over the counter ("OTC") market under the symbol "CLPI." Our stock is thinly traded, and a robust, active trading market may never develop. The market for the Company’s common stock has been limited, volatile, and sporadic and could be subject to a number of risk factors (see "Risks Relating To Our Common Stock" in Item 1A of this Annual Report).

The transfer agent for our common stock is Securities Transfer Corporation , 2591 Dallas Parkway Suite102, Frisco, Texas 75034 Telephone: 469-633-0101 Website: www.stctransfer.com .

The following table sets forth the high and low bid prices of our common stock as reported by Nasdaq.com . The y reflect inter –dealer prices without retail mark –up, mark –down, or commissions, and may not necessarily reflect actual transactions.

	<u>High</u>	<u>Low</u>
<b>2012</b>		
First Quarter	\$3.25	\$3.25
Second Quarter	3.25	3.25
Third Quarter	3.25	2.00
Fourth Quarter	2.65	1.01
<b>2011</b>		
First Quarter	\$3.00	\$2.00
Second Quarter	3.25	0.06
Third Quarter	3.25	3.25
Fourth Quarter	3.25	3.25

The last price of our common stock as reported by Nasdaq.com on April 4, 2013, was \$2.10 .

### Common Shareholders

On April 4, 2013, we had approximately 128 shareholders of record.

### Dividends

We have not paid any dividends on our common stock since our inception and we do not anticipate paying dividends in the foreseeable future as earnings we realize, if any, will be retained in the business for further development and expansion. Provisions of our term loan facility preclude paying dividends and preferred stock issued in the future, if any, might prohibit us from paying common stock dividends unless certain conditions are met.

### Shares Authorized For Issuance Under Equity Compensation Plans

The following table provides information about the number of shares of our common stock that may be issued on exercise of outstanding stock options or purchased under our 2011 Equity Incentive Plan as of December 31, 2012 .

<u>Equity Compensation Plan Category</u>	<u>(A)</u> <b>Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants And Rights</b>	<u>(B)</u> <b>Weighted-Average Exercise Price Of Outstanding Options, Warrants And Rights</b>	<u>(C)</u> <b>Number Of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (A))</b>
Plans Approved By Security Holders	400,000	\$2.00	1,600,000
Plans Not Approved By Security Holders	-	-	-
<b>Total</b>	<b>400,000</b>	<b>\$2.00</b>	<b>1,600,000</b>

### Equity Securities Sold

During the fourth quarter of the period covered by this Annual Report, the Company completed additional closings of its ongoing private placement of equity pursuant to which it sold 112,500 shares of its common stock at a price of \$1.50 per share resulting in gross proceeds to the Company of \$ 168,750 , all of which was invested in DPPL. During the same period, the Company:

- Sold in connection with the sale of common stock five-year warrants to purchase up to 112,500 of its common stock at an exercise price of \$3.00 per share resulting in proceeds of \$56,250;
- Issued for services five-year warrants to purchase up to 234,000 shares of its common stock at an exercise price of \$1.50 per share;
- Sold \$850,000 in secured subordinated convertible promissory notes automatically convertible at \$1.50 per share



- into 566,665 shares of its common stock one year from the issuance dates ; and
- Issued in connection with the secured subordinated convertible promissory notes five-year warrants to purchase up to 50,000 shares of its common stock at \$ 2.0 0 per share .

No underwriters were involved in the transactions described above. The Company’s issuance of c ommon s tock , convertible debt, and warrants, and any common s tock issuable upon conversion or exercise thereof, was, or will be, exempt from registration under the Securities Act of 1933 pursuant to exemptions from registration provided by Rule 506 of Regulation D and Sections 4(2) of the Securities Act of 1933, insofar as such securities were issued only to “accredited investors” within the meaning of Rule 501 of Regulation D. The recipients of these securities took such securities for investment purposes without a view to distribution. Furthermore, they each had access to information concerning the Company and its business prospects . T here was no general solicitation or advertising for the purchase of the securities and the securities are restricted pursuant to Rule 144.

**Equity Securities Repurchased**

None.

**ITEM 6 SELECTED FINANCIAL DATA**

The following selected financial data are derived from our audited financial statements and should be read in conjunction with, and is qualified in its entirety by, our financial statements and accompanying notes and the other information included elsewhere in this Report.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Balance Sheets</b>			
Residual portfolios acquired, net	\$ 5,253,592	\$ 5,824,481	\$ 1,642,064
Equity investment	6,955,927	-	-
Total assets	13,154,489	8,156,911	3,415,389
Long-term debt, gross	7,150,000	3,700,000	1,550,000
Shareholders' equity	5,693,773	3,016,839	1,850,584
<b>Operations</b>			
Revenues	\$ 3,438,898	\$ 2,765,075	\$ -
Net loss	4,341,303	2,091,577	1,489,456
Net loss per share, basic and diluted	0.20	0.11	0.08

In April 2010, the Company’s current management acquired the Company as a “shell company” and redirected its business focus and business plan as discussed in Item 1 of this Report.

**ITEM 7 MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Item 7 should be read in the context of the information included elsewhere in this Annual Report including our financial statements and accompanying notes in Item 8 of this Annual Report.

**OVERVIEW**

The Company recognized its first revenue in January 2011 following completion in 2010 of its development stage activities. In 2011, we invested approximately \$5.0 million in residual portfolios in 7 separate transactions and , in June 2011, attained break-even cash flow from operations. Two additional portfolios were purchased for \$ 0. 5 million in 2012 and we entered into an agreement to acquire approximately a 74% equity interest in Digital Payments Processing Limited (“DPPL”) , a Mumbai, India company , which has a services agreement with an affiliate that processes individuals’ routine payments and allows them to move money using a cellular phone and simple text messaging (SMS technology) .

Our residual portfolio revenues were \$3.4 million in 2012 and \$2.8 million in 2011 with gross profit percentages of 6 5 % and 62 %, respectively. General, administrative, and financing costs in 2012 and 2011 were \$ 5.8 million and \$ 3.8 million, respectively, and we recognized a \$ 0.8 million loss from our equity investment in 2012. We had a \$ 4.3 million (\$ 0.20 per share) net loss in 2012 and a \$2.1 million (\$0.11 per share) net loss in 2011.

## 2012 COMPARED TO 2011

The 24% increase in residual portfolio revenues over the 2011 level is largely attributable to acquiring 4 of the 7 portfolios in 2011 after midyear and the additional investments in 2012. Portfolio amortization and servicing costs were similarly affected. Other revenue costs were greater in 2011 which included \$72 thousand for a residual lead-generation program, later terminated, and \$42 thousand higher portfolio acquisition costs.

General and administrative expenses of \$ 3.0 million in 2012 were greater than the \$ 2.1 million incurred in 2011. Promotion expenses were up \$ 326 thousand in 2012 mostly attributable to additional fees paid in common stock to a firm that provided investor relations services. Other expense increases over 2011 included: \$ 172 thousand related to seeking additional equity and debt funding; \$ 210 thousand in expenses in connection with our equity investment; and modest changes across a range of expense types offset by \$48 thousand less in equity awards to management.

The largest part of the 2012 increase in deferred financing cost amortization stemmed from writing off \$526 thousand when we refinanced our senior debt in November 2012 and \$103 thousand in one-time advisory costs. Most of the remaining increase was from recognizing amortization of the higher deferred costs related to refinanced senior debt over 8 months in 2011 and 10 months in 2012. Subordinated note discount amortization was less in 2012 as the extension of the debt's original due dates to December 31, 2014, increased the amortization period. More interest expense was incurred in 2012 due to additional subordinated debt borrowings and the senior notes being outstanding for only 5 months in 2011.

Our March 2012 initial 15% equity investment interest in DPPL increased to 45% at December 31, 2012, in a step acquisition of its share capital, and we have recognized \$ 762 thousand in our financial statements for its losses during that period in proportion to our increasing ownership percentages.

Due to net losses, we had no current federal tax provision in either 2012 or 2011 and deferred tax benefits of cumulative net operating losses and other temporary tax differences have been offset by valuation allowances. Our 2011 state income tax provision was reversed in 2012 when it was determined the taxable threshold had not been attained.

## LIQUIDITY AND CAPITAL RESOURCES

Our operations generated positive cash flows in 2012 averaging approximately \$ 32 thousand per month, a total of \$ 395 thousand for the year, excluding financing and investing related costs and payments of \$235 thousand of affiliates' compensation deferred in 2010. Proceeds from sales of our common stock and warrants in private placements and subordinated debt borrowings in 2012 totaled \$4.4 million which, with previously restricted cash, was used to acquire our equity investment in DPPL (\$4.1 million) and additional residual portfolios (\$0.5 million). The \$3.0 million we borrowed pursuant to the senior credit facility we entered into in 2012 was used to repay amounts outstanding under our previous credit facility and financing costs. The \$ 1.3 million balance remaining under the \$ 14.5 million facility is restricted to the acquisition of additional credit card residuals in the U.S.

Our primary sources of liquidity are cash flows from operating activities, sales of our common stock in private placements, and subordinated debt borrowings not restricted to specific investing activities. We anticipate these funds and acquisition of additional residual portfolios funded by the senior credit facility and restricted subordinated debt borrowings will be sufficient to meet our operating needs for the foreseeable future. However, there are no assurances we can sell more common stock, issue additional subordinated debt, or acquire additional portfolios on acceptable terms.

## OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements.

## CRITICAL ACCOUNTING POLICIES

We use estimates throughout our statements and changes in estimates could have a material impact on our operations and financial position. We consider an accounting estimate to be critical if: (1) the estimate requires us to make assumptions about matters that are highly uncertain at the time the estimate is made or (2) changes in the estimate are reasonably likely to occur from period to period, or use of different estimates we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

**Residual Portfolio Amortization**

Each residual portfolio is underwritten separately and may reflect unique cash flow patterns. Each portfolio is amortized based on the future cash flows expected to be derived. Quarterly, we reevaluate our cash flow estimates and prospectively adjust future amortization.

Sensitivity of our estimates is shown in the following table by the effects of changing our 2013 expected residual portfolio amortization of \$984 thousand by 10%. Subsequent years would be similarly affected.

	<u>Percentage Change</u>	<u>Expected Amortization</u>	<u>Gross Profit</u>	<u>Earnings Per Share</u>
Change in 2013 residual portfolio amortization	+/- 10%	\$984,466	-/+ \$98,445	-/+ \$0.003

**Warrant And Stock Option Fair Values**

We estimate the fair value of warrants and stock options when issued or vested using the Black-Scholes options pricing model and subsequent changes in fair value are not recognized. Option pricing models require the input of highly subjective assumptions.

Sensitivity of estimates using the Black-Scholes option pricing model is shown in the following table for an illustrative valuation of an award of 10,000 stock options exercisable at a grant-date market price of \$3.00 per share resulting in an estimated fair value of \$10,700. The changes in that amount are presented if the illustrative assumptions were changed as indicated.

	<u>Years To Expected Maturity</u>	<u>Risk Free Interest Rate</u>	<u>Stock Price Volatility</u>	<u>Estimated Fair Value</u>
Illustrative valuation	7	2%	30%	\$10,700
Illustration valuation changes from:				
Years to expected maturity only	+/- 2	2%	30%	+/- \$ 1,600
Risk free interest rate only	7	+/- 1%	30%	+/- \$ 750
Stock price volatility only	7	2%	+/- 20%	+/- \$ 5,250
All assumptions	+/- 2	+/- 1%	+/- 20%	+/- \$ 7,400

**ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our primary market risk is to residual portfolio post-acquisition attrition.

Residual portfolio attrition, a normal part of the payment processing industry, results from a number of factors including the merchant’s pricing of its products or services, the merchant moving to another processor, and the merchant ceasing operations. As a residual portfolio’s attrition rate inversely impacts future cash flows, in underwriting residual portfolios we acquire we endeavor to conservatively estimate the portfolio’s future attrition rate based on its current attrition rate, its long-term historical attrition rate, the attrition rate of comparable portfolios, and the experience of our executives in valuing and acquiring residual portfolios (see “Business Experience” in Item 10 of Part III of this Annual Report).

Our executives’ experience is that long-term attrition rates of acquired portfolios typically range between 1.4% and 1.6% per month. Within any given year, attrition rates can display some seasonality with rates moving upward toward the year-end holiday season and, thereafter, usually returning to the long-term trend. There have been atypical instances of short-term fluctuations caused by factors other than seasonality.

A 1% per month increase in the long-term attrition rates of our residual portfolios over the rates used to underwrite their acquisition would result in an approximate 13% reduction in expected cash flows over the expected life of the portfolios; however, the reduction would be somewhat mitigated by fixed components of credit card merchant fees (e.g., minimum monthly fees, statement fees, and equipment charges). An attrition rate decrease of 1% per month would result in an approximate 29% increase in expected cash flows over the expected life of the portfolios.

**ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Calpian, Inc.

We have audited the accompanying balance sheets of Calpian, Inc. (“Company”), as of December 31, 2012 and 2011, and the related statements of comprehensive loss, cash flows, and shareholders’ equity for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company, as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Whitley Penn LLP

Dallas, Texas  
April 8, 2013

**CALPIAN, INC.**  
**BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and equivalents	\$ 314,309	\$ 367,661
Other current assets	105,759	48,851
Total current assets	420,068	416,512
<b>Other Assets</b>		
Restricted cash	270,000	425,000
Residual portfolios, net	5,253,592	5,824,481
Equity investment	6,955,927	-
Deferred financing costs	244,902	1,480,918
Intangible assets, at cost	10,000	10,000
Total other assets	12,734,421	7,740,399
Total assets	<u>\$ 13,154,489</u>	<u>\$ 8,156,911</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt, net	\$ -	\$ 1,201,312
Deferred compensation of officers, directors, and executives	125,000	360,000
Accrued expenses payable to officers, directors, and affiliates	395,001	202,350
Accounts payable	51,225	23,415
Accrued expenses	60,565	35,710
Interest payable	39,617	25,500
Note payable	7,570	7,536
Total current liabilities	678,978	1,855,823
<b>Other Liabilities</b>		
Senior notes payable	3,000,000	2,700,000
Subordinated notes payable	3,300,000	1,000,000
Convertible subordinated notes	850,000	-
Discount on subordinated notes	(368,262)	(415,751)
Total other liabilities	6,781,738	3,284,249
<b>Commitments and contingencies</b>		
<b>Shareholders' Equity</b>		
Preferred stock, par value \$0.001, 1,000,000 shares authorized, none issued	-	-
Common stock, par value \$0.001, 200,000,000 shares authorized, 23,898,306 and 19,303,800 shares issued and outstanding at December 31, 2012 and 2011, respectively	23,898	19,304
Additional paid-in capital	13,703,153	6,680,238
Accumulated deficit	(8,024,006)	(3,682,703)

Other comprehensive loss	<u>(9,272)</u>	<u>-</u>
Total shareholders' equity	<u>5,693,773</u>	<u>3,016,839</u>
Total liabilities and shareholders' equity	<u>\$ 13,154,489</u>	<u>\$ 8,156,911</u>

The accompanying notes are an integral part of these financial statements.

**CALPIAN, INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**

	<b>Year Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenues</b>		
Residual portfolios	\$ 3,438,898	\$ 2,765,075
<b>Cost of revenues</b>		
Residual portfolio amortization	1,103,734	811,917
Portfolio servicing costs	88,950	63,900
Other	<u>19,259</u>	<u>161,321</u>
Total cost of revenues	<u>1,211,943</u>	<u>1,037,138</u>
<b>Gross profit</b>	2,226,955	1,727,937
General and administrative expenses	<u>2,966,358</u>	<u>2,108,210</u>
<b>Operating loss</b>	(739,403)	(380,273)
<b>Other expenses</b>		
Amortization deferred financing costs	1,591,016	740,459
Amortization of discount on subordinated notes	465,177	545,634
Interest, net	<u>801,942</u>	<u>406,437</u>
Total other expenses	<u>2,858,135</u>	<u>1,692,530</u>
<b>Loss before items below</b>	(3,597,538)	(2,072,803)
Income taxes (over provision)	(18,190)	18,774
Equity investment loss	761,955	-
<b>Net loss</b>	(4,341,303)	(2,091,577)
Other comprehensive loss:		
Currency translation adjustments	<u>(9,272)</u>	<u>-</u>
<b>Total comprehensive loss</b>	<u>\$ (4,350,575)</u>	<u>\$ (2,091,577)</u>
Net loss per share, basic and diluted	\$ (0.20)	\$ (0.11)
Weighted average number of shares outstanding, basic and diluted	21,517,015	18,306,795

The accompanying notes are an integral part of these financial statements.

**CALPIAN, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net loss</b>	\$ (4,341,303)	\$ (2,091,577)
Adjustments to reconcile net loss to cash used by operating activities:		
Equity investment loss	761,955	-
Deferred financing cost amortization	1,591,016	740,459
Residual portfolio amortization	1,103,734	811,917
Subordinated note discount amortization	465,177	545,634
Promotion and consulting fees paid in stock	390,375	-
Management equity awards	10,510	58,933
Changes in operating assets and liabilities:	-	-
Other current assets	(10,400)	12,187
Deferred compensation of officers, directors, and executives	(235,000)	(120,000)
Accrued expenses payable to officers, directors, and affiliates	192,651	(12,566)
Accounts payable	27,810	(103)
Accrued expenses	24,855	27,404
Interest payable	14,117	(7,694)
<b>Net cash used by operating activities</b>	<b>(4,503)</b>	<b>(35,406)</b>
<b>INVESTING ACTIVITIES</b>		
Residual portfolios	(492,000)	(4,247,500)
Equity investment	(4,081,000)	-
<b>Net cash used in investing activities</b>	<b>(4,573,000)</b>	<b>(4,247,500)</b>
<b>FINANCING ACTIVITIES</b>		
Senior note proceeds	3,000,000	2,700,000
Senior note repayment	(2,700,000)	-
Subordinated notes	1,600,000	1,000,000
Common stock and warrants	2,805,000	-
Restricted cash change	155,000	(425,000)
Payments on note payable	(33,349)	(36,315)
Deferred financing costs	(302,500)	(323,639)
<b>Net cash provided by financing activities</b>	<b>4,524,151</b>	<b>2,915,046</b>
Decrease in cash and equivalents	(53,352)	(1,367,860)
Cash and equivalents, beginning of year	367,661	1,735,521
Cash and equivalents, end of year	<u>\$ 314,309</u>	<u>\$ 367,661</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	\$ 787,825	\$ 414,131
Noncash transactions:		
Common stock for equity investment	3,646,155	-
Financing transaction warrants	69,000	2,452,065
Common stock for services	456,000	-
Common stock for residual portfolios	40,845	746,588
Note payable for insurance premium	33,383	33,234

The accompanying notes are an integral part of these financial statements.





management	-	-	-	-	10,510	-	-	10,510
Net loss	-	-	-	-	-	(4,341,303)	-	(4,341,303)
Currency translation adjustments	-	-	-	-	-	-	(9,272)	(9,272)
<b>Balance, December 31, 2012</b>	-	\$ -	23,898,306	\$ 23,898	\$ 13,703,153	\$ (8,024,006)	\$ (9,272)	\$ 5,693,773

The accompanying notes are an integral part of these financial statements.

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**CALPIAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1 - OVERVIEW****The Company**

In these financial statements, we refer to Calpian , Inc. as “Calpian,” “Company,” “we,” “us,” and “our.”

We are in the business of acquiring recurring monthly residual income streams derived from credit card processing fees paid by retail merchants in the United States (“residual portfolios”). Small and medium-sized retail merchants typically buy their credit card processing and acquiring services from independent sales organizations (“ISOs”). ISOs are sales agents authorized by one or more credit card processors to sell processing and acquiring services on their behalf. ISOs shepherd the merchant’s application for processing and acquiring services through the labyrinth of approvals, credit checks, guarantees, etc. that are required before the merchant can be approved to accept consumer credit card payments . We act not as a credit card processor, but simply as a purchaser of revenue streams resulting from the relationships between processors and ISOs. In addition, we invest in payments-industry related opportunities .

**Basis Of Presentation**

The preparation of our financial statements in accordance with U.S. generally accepted accounting principles requires us , on an ongoing basis , to make significant estimates and judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions we believe are reasonable under the circumstances, the results of which form the basis for our conclusions . Actual results may differ from these estimates under different assumptions or conditions. Such differences could have a material impact on our future financial position, results of operations, and cash flows.

Our financial statements include the accounts of the Company and , since March 2011, the operations of Transaction World Magazine, Inc. (“TWM”), a non - owned but wholly-controlled entity. TWM is a wholly-owned subsidiary of ART Holdings, Inc. (“ART”) whose two founders, controlling shareholders, directors, and executive officers are directors , executive officers, and significant shareholders of Calpian .

Beginning in 2012, we no longer considered TWM to be a separate profit center and have netted its 2011 advertising revenues against our general and administrative expenses. Certain other amounts have been reclassified in the 2011 financial statements to conform to the current year presentation.

The “going concern” explanatory paragraph in the opinion issued by our independent registered public accounting firm for the year ended December 31, 2011, has been eliminated as the subordinated debt that was due to mature within twelve months from that date has been extended to December 31, 2014 , and the Company has secured additional common stock and debt financing.

**Foreign Currency Translation**

The functional currency of our equity investment is the Indian rupee (denoted as "INR" or "Rs."). Its assets and liabilities are translated into U.S. dollars at the exchange rates in effect at each balance sheet date, and resulting translation gains or losses are accumulated in other comprehensive income as a separate component of shareholders’ equity. Revenue and expenses are translated at monthly average exchange rates.

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Recent Accounting Pronouncements**

There have been no new accounting pronouncements issued that have had, or are expected to have, a material impact on our results of operations or financial condition.

**Fair Values**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. We believe the carrying values of cash and cash equivalents, other current assets, accounts payable, accrued expenses, and interest payable approximate their fair values. We believe the carrying value of our senior notes, subordinated notes, and note payable approximate the estimated fair value for debt with similar terms, interest rates, and remaining maturities currently available to companies with similar credit ratings.

We do not engage in hedging activities and there are no derivative instruments in place. We do not have any nonfinancial assets measured on a recurring basis.

**Cash And Equivalents**

We consider cash, deposits, and short-term investments with original maturities of three months or less as cash and cash equivalents. Amounts designated by management for specific purposes at December 31, 2012, and by contractual terms of debt agreements at December 31, 2011, are considered restricted cash. Our deposits are maintained primarily in two financial institutions and, at times, exceed amounts covered by U.S. Federal Deposit Insurance Corporation insurance.

**Residual Portfolios**

Residual portfolios represent investments in recurring monthly residual income streams derived from credit card processing fees paid by retail merchants in the United States. We acquire portfolios as long-term investments and expect to hold them to maturity, the point in time when a portfolio's cash flows become nominal. Although history within the industry indicates the cash flows from such income streams are reasonably predictable, the cash flows are predicated on the merchants making future credit card sales to their customers. Each residual portfolio is amortized based on the future cash flows expected to be derived. Quarterly, we re-evaluate our cash flow estimates and prospectively adjust future amortization.

**Equity Investment**

We use the equity method of accounting for investments in entities in which the Company can exercise significant influence but does not own a majority equity interest or otherwise control. To the extent the amount invested exceeds the Company's proportionate share of the investee's net assets, the excess is allocated to its net assets based on their fair values and goodwill using the acquisition method of accounting. The carrying value of our investment in the net assets, but not any related goodwill, is tested for other than temporary impairment when events or changes in circumstances indicate its carrying amount may not be recoverable.

**Revenue Recognition**

The Company recognizes residual portfolio revenue based on actual cash receipts.

**Income Taxes**

Deferred income taxes are recognized for the future income tax effects of differences in the carrying amounts of assets and liabilities for financial reporting and income tax return purposes, including undistributed foreign earnings and losses, using enacted tax laws and rates. A valuation allowance is recognized if it is more likely than not that some or all of a deferred tax asset may not be realized. Tax liabilities, together with interest and applicable penalties included in the income tax provision, are recognized for the benefits, if any, of uncertain tax positions in the financial statements which, more likely than not, may not be realized.

**Equity Transaction Fair Values**

The estimated fair value of our common stock issued in share-based payments is measured by the more relevant of (1) the prices received in private placement sales of our stock or, (2) its publically -quoted market price. We estimate the fair value of warrants and stock options when issued or vested using the Black-Scholes option pricing model which requires the input of highly subjective assumptions. Recognition in shareholders' equity and expense of the fair value of stock options awarded to employees is on the straight-line basis over the requisite service period and, for grants to nonemployees, when the options vest. Subsequent changes in fair value are not recognized.

**3 - RESIDUAL PORTFOLIOS**

The transactions in which we acquired our residual portfolios include customary terms including representations and warranties, covenants, confidentiality terms, indemnification provisions, and most include performance metrics to be achieved over the next 12 to 31 months. If the terms are not satisfied or the performance metrics are not achieved, we have the right to reacquire all or a portion of the shares of our common stock included in the consideration paid as follows:

	<u>2012</u>	<u>2011</u>
Common stock shares issued	27,230	246,060
Common stock fair value	\$ 40,845	\$ 746,834
Cash paid	492,000	4,247,500
	<u>\$ 532,845</u>	<u>\$ 4,994,334</u>

As of December 31, 2012, we expect annual amortization in each of the next five years to be as shown below with the remainder ranging over the succeeding 9 years. No residual value is likely.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>
\$980,576	\$865,803	\$724,546	\$585,384	\$470,737	\$1,626,546

**4 - EQUITY INVESTMENT**

In March 2012, the Company acquired an equity interest in Digital Payments Processing Limited (“DPPL”), a newly-organized company, and DPPL entered into a services agreement with My Mobile Payments Limited (“MMPL”). Both companies are organized under the laws of India and headquartered in Mumbai, India. MMPL is controlled by Indian residents and shareholders of DPPL other than Calpian.

The DPPL agreement provides for acquiring an equity interest of approximately 74% for \$9.7 million to be paid in quarterly tranches through January 2014 and the issuance of 6.1 million shares of our common stock. As of December 31, 2012, we had invested \$4.1 million, issued 2.4 million shares of our stock valued at \$3.6 million, and recognized a \$ 0.7 million equity investment loss for a net carrying value of our 45% equity interest in DPPL summarized as follows:

Proportionate share of shareholders' equity	\$ 1,062,925
Excess of investment over proportionate share of shareholders' equity	5,893,002
Carrying value of investment	<u>\$ 6,955,927</u>

The combined balance sheets and results of operations of DPPL and MMPL as of December 31, 2012 and for the year then ended are summarized as follows:

Current assets	\$ 1,646,089
Long-term assets	2,139,284
Current liabilities	(897,756)
Noncontrolling interests	(61,559)
Long-term liabilities	(673,010)
Preferred shares	(25,320)
Net assets attributable to shareholders	<u>\$ 2,127,728</u>

Revenue	\$ 97,177,323
Gross profit	388,535
Expenses	3,084,838
Net loss	1,980,156

**5 - DEBT****Senior Credit Facility**

In November 2012, the Company entered into a \$5.0 million senior credit facility and borrowed \$3.0 million to pay amounts outstanding under the 2011 \$8.0 million credit facility and \$255,000 in loan origination fees and expenses which are being amortized over the loan term. The balance available under the facility is restricted to the acquisition of additional credit card residuals in the U.S. provided the outstanding loan balance after the acquisition will not exceed 16 times the expected monthly gross cash flow as measured immediately following the acquisition. Interest only is payable through May 2014; thereafter, principal is payable at a monthly level rate to fully amortize the loan by its June 2016 maturity date. The loan has an interest rate of 13.2% per year payable monthly in arrears, a prepayment penalty beginning at 4% and declining to 0% after the first year, and facility growth fees of 4% of new borrowings arranged by the lender and 2% if arranged by others.

A first lien on all the Company's assets has been pledged as collateral for the senior credit facility. The facility requires maintaining a minimum of \$200,000 in cash and equivalents, contains customary representations and warranties, and we have agreed to certain affirmative covenants. The facility also limits our ability to engage in certain actions including: making loans or advances; extending credit; guaranteeing or incurring certain debt; engaging in certain asset acquisitions; making certain investments in other entities; making property transfers; changing our business or financial structure; and, paying dividends.

In April 2011, the Company secured an \$8.0 million credit facility and borrowed \$2.7 million with a 16% per year interest rate. The Company paid origination, commitment and administration fees, and expenses totaling \$323,639 and issued the lender warrants to acquire up to 804,467 shares of our common stock at \$1.00 per share valued at \$ 1,897,738. Unamortized deferred financing costs of \$ 525,936 were written off when the facility was repaid.



### **Subordinated Debt**

The Company's subordinated debt has been issued pursuant to a *\$3 Million Subordinated Debt Offering*, a *\$2 Million Subordinated Debt Offering*, *2012 \$3 Million Notes Offering*, and a *2012 Convertible Notes Offering*, each exempt from registration under Rule 506 of Regulation D of the Securities and Exchange Commission ("SEC"), as described in the Current Reports on Form 8-K filed with the SEC on January 6, 2011, and August 10, 2012, and incorporated herein by reference. The notes are secured by a first lien on substantially all of the Company's assets, but are subordinated to the senior credit facility. The notes bear interest at a rate of 12% annually paid monthly in arrears.

#### Subordinated Notes Payable

At issuance, the lenders received warrants to acquire up to 1,165,000 shares of our common stock. The aggregate \$1,310,073 fair value of the warrants was being amortized over the period from the dates of issuance to the original November 2012 to June 2014 principal due dates. In August 2012, all maturity dates were extended to December 31, 2014, in consideration for issuance of an additional 252,925 warrants that, due to the current low interest rates and low volatility in our shares, was determined using the Black-Scholes option pricing model to have no current value. The \$366,000 modification-date debt fair value discount to a 16.6% annual effective rate was substantially equal to the unamortized balance of the original warrants and is being amortized over the remaining term of the debt. In 2012 and 2011, interest expense was \$362,550 and \$242,333, respectively, and amortization totaled \$461,535 and \$545,634, respectively.

#### Convertible Subordinated Notes

Unless prepaid, the convertible notes automatically convert at \$1.50 per share into 566,665 shares of our common stock one year from the issuance dates. The \$69,000 fair value of 50,000 warrants for our common stock granted in connection with certain of the notes is being amortized to the conversion dates resulting in an overall effective annual interest rate of 20.1%. In 2012, interest expense and amortization were \$8,983 and \$3,642, respectively.

### **Note Payable**

In June 2011 and 2012, the Company financed its directors and officers insurance premiums with nine-month promissory notes bearing interest at 7.0% per annum. Payments of \$3,818 per month through March 2013 are due on the current note.

## **6 - CAPITAL STOCK**

We have not agreed to register any of our common stock or warrants for resale under the Securities Act of 1933, as amended; however, warrants to acquire 804,467 shares of our common stock and 566,665 shares of our common stock issuable on conversion of our convertible subordinated notes have customary "piggy back" registration rights in the event we register shares of our common stock in the future.

### **Preferred Stock**

Our Board of Directors may designate shares of preferred stock to be issued in one or more series and with such designations, rights, preferences, and restrictions as specified in the requisite resolution(s). If preferred stock is issued and the Company is subsequently liquidated or dissolved, the preferred stock holders may have preferential rights to a liquidating distribution.

#### Series A Convertible Preferred Stock

The 23,836 shares of Series A stock issued in 2010 were converted into 2,383,600 shares of our common stock in May 2011 and the authorization for Series A shares was cancelled.

### **Common Stock**

Our common stock trades on the OTC<sup>®</sup> under the symbol "CLPI." Holders of our common stock are entitled to one vote per share and receive dividends or other distributions when, and if, declared by our Board of Directors. We have reserved 5,016,558 shares for issuance on conversion of convertible subordinated notes, exercise of warrants, and equity incentive awards.

We have issued common stock for the acquisition of residual portfolios (Note 3) and our equity investment in DPPL (Note 4). In 2012, we sold 1,832,506 shares in private placements for \$2,805,000, including the \$56,250 fair value of 112,500 warrants as part of unit subscriptions. Also in 2012, a total of 304,000 shares with a fair value of \$456,000 based on common stock private placements were issued for consulting, financial, international acquisition advisory, and public relations services.

### **Warrants**

A total of 2,449,893 warrants for our common stock with exercise prices ranging from \$1.00 to \$3.00 per share (\$1.28 weighted average) have been issued in connection with our financing transactions and expire as follows: 2015 – 617,501;

2016 – 1,304,467; 2017 – 527,925. On exercise, the warrants will be settled in delivery of unregistered shares of our common stock.

### 2011 Equity Incentive Plan

The 2011 Equity Incentive Plan (“Plan”) provides for issuing equity awards for an aggregate of 2.0 million shares of our common stock in the form of grants of restricted shares, incentive stock options (employees only), nonqualified stock options, share appreciation rights, performance shares, and performance units. The purposes of the Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors, and consultants, and to promote the long-term growth and profitability of the Company. Stock option awards have a maximum contractual life of ten years and specific vesting terms and performance goals are addressed in each equity award grant. Shares issued to satisfy awards may be from authorized but unissued or reacquired common stock.

### Stock Options

Nonqualified stock options for 200,000 shares of our common stock at \$1.50 per share were granted in 2012 and options for 200,000 shares at \$2.50 per share were granted in 2011. At December 31, 2012, these outstanding and exercisable options had a weighted-average exercise price of \$2.00 per share, an intrinsic value of \$200,000, and a weighted-average remaining contractual term of 9 years; however, the 2012 options become void if services are earlier terminated. The 2011 options originally vested in 48 equal monthly installments, but the unvested balance fully vested in 2012 pursuant to a modification agreement. The 2012 options fully vested on the grant date. Management equity award expense based fair values estimated on each vesting date totaled \$10,510 in 2012 and \$58,933 in 2011.

## 7 - INCOME TAXES

Our \$ 2.7 million federal income tax net operating loss carryover expires over the period from 2026 through 2032. Our federal and state income tax returns are no longer subject to examination for years before 2008. We have taken no tax positions which more likely than not may not be realized.

Significant components of our deferred tax assets and liabilities were:

	<u>2012</u>	<u>2011</u>
Warrants	\$ 1,112,946	\$ 421,644
Net operating loss carryovers	928,022	324,234
Development stage losses	399,243	429,954
Equity investment	262,217	-
Residual portfolio amortization	54,565	23,035
Management equity awards	23,610	20,037
Total deferred tax assets	<u>2,780,603</u>	<u>1,218,904</u>
Deferred tax liabilities:		
Debt discount	102,987	-
Intangibles	453	-
Total deferred tax liabilities	<u>103,440</u>	<u>-</u>
Net deferred tax assets	2,677,163	1,218,904
		-
Valuation allowance	<u>(2,677,616)</u>	<u>(1,218,904)</u>
Deferred tax liability	<u>\$ (453)</u>	<u>\$ -</u>

Significant components of our income tax provisions were:

Significant components of our income tax provisions were:

	<u>2012</u>	<u>2011</u>
Current state (net over provision)	\$ (18,643)	\$ 18,774
Deferred federal	(1,196,268)	(690,339)
Valuation allowance	<u>1,196,721</u>	<u>690,339</u>
	<u>\$ (18,190)</u>	<u>\$ 18,774</u>



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The losses before income taxes and equity investment loss at the 34% federal statutory tax rate reconciles to our tax provisions as follows:

	<u>2012</u>	<u>2011</u>
Loss before income taxes	\$ (1,223,163)	\$ (704,753)
Deferred tax valuation allowance	1,196,721	690,339
State tax net of federal tax benefit	(12,304)	12,391
Permanent items	20,556	20,797
	<u>\$ (18,190)</u>	<u>\$ 18,774</u>

## 8 - LITIGATION

On September 18, 2012, National Bankcard Systems, Inc. ("NBS") filed suit in the District Court of Dallas County, Texas against Calpian Residual Partners V, LP ("CRPV") and Calpian alleging breach of the Residual Purchase Agreement dated November 4, 2008, between CRPV and NBS and certain other improprieties by CRPV. Plaintiff has alleged damages on the date the suit was filed of \$729,000 including unpaid merchant servicing fees, compensation for residuals added after Calpian acquired the portfolio, and attorney fees. Plaintiff further alleges that damages continue to grow, but will not specify an amount. Craig Jessen, our President, and Harold Montgomery, our CEO, are members of our Board of Directors, and substantial shareholders of Calpian, and are executive officers of CRPV, but CRPV is not otherwise an affiliate of Calpian. Each of the Residual Purchase Agreement and the related alleged improprieties of CRPV arose prior to Calpian's acquisition of the underlying residual portfolio on December 31, 2010. The case is currently in the discovery phase and the matter is set for trial in September 2013.

## 9 - EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of shares of our common stock outstanding during the year. Diluted earnings per share also include all potentially dilutive securities. At the balance-sheet dates, potentially dilutive securities which would have had an antidilutive effect on our basic net losses per share were:

	<u>2012</u>	<u>2011</u>
Warrants (weighted-average purchase price per share: 2012 - \$1.28; 2011 - \$1.04)	2,449,893	2,146,968
Stock options (weighted-average exercise price per share: 2012 - \$2.00; 2011 - \$2.50)	400,000	200,000
Convertible subordinated notes	566,665	-

## 10 - RELATED PARTIES

### Support Services And Advances

ART has provided the Company since its startup period with certain support services. It has been verbally agreed payment for these services would accrue interest-free and be paid at a future date to be agreed on by the parties. At the most recent balance sheet date, unpaid expenses of \$85,699 incurred in 2010 and reimbursement for payments by ART on our behalf totaled \$193,114.

### Management Advisory Agreement

In 2011, we entered into a management advisory agreement with Cagan McAfee Capital Partners, LLC ("CMCP"), an investment company owned and controlled by Laird Q. Cagan, a member of our Board of Directors and a significant shareholder. The nonexclusive agreement provides for CMCP advising the Company on an array of financial and strategic matters and provides for the services of Mr. Cagan as a member of our Board. Pursuant to the agreement, CMCP is paid \$14,500 plus expenses each month through December 2013. The agreement continues month-to-month beyond that date and is thereafter terminable by either party with 30 days notice. At the most recent balance sheet date, amounts payable to CMCP totaled \$188,500 which is expected to be paid as available cash flow permits.

### Financing And Equity Transactions

In 2011, Cagan Capital, LLC ("CCLLC"), a non-entity owned and controlled by Mr. Cagan, purchased \$1.0 million of our subordinated notes payable and warrants to purchase up to 500,000 shares of our common stock at \$1.00 per share on a cashless basis. In connection with the extension of the maturity date of the subordinated notes in 2012, CCLLC was issued an additional 71,233 warrants to purchase shares of our common stock at \$2.00 per share.

In 2012, a company whose shareholders include our Chairman and Chief Executive Officer and members of his family purchased \$150,000 of our subordinated notes payable. Our Chief Financial Officer purchased 16,667 shares of our common stock for \$25,000 in 2012.



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In 2012 for public relations services, 200,000 shares of our common stock were issued to Financial Communications, Inc., a public relations firm, and one of its employees having a \$ 30 0,000 fair value. As of the most recent balance sheet date, John Liviakis, the sole shareholder, President, and Chief Executive Officer of Financial Communications, Inc. beneficially owned more than 5% of our outstanding common stock.

### **Affiliates ' Deferred Compensation**

At the most recent balance sheet date, officers', directors', and other affiliates' c o mpensation deferred in 2010 remaining unpaid totaled \$125,000.

## **10 – SUBSEQUENT EVENT**

In March 2013, the Company formed Calpian, Inc. (“CCI”) and acquired certain assets and liabilities of Pipeline Data, Inc. and its subsidiaries in exchange for a cash payment of \$9.75 million. The acquisition was financed by expanding the Company's senior credit facility from \$5 million to \$14.5 million and borrowing \$10.2 million. Fees paid to the lender for the amendment and additional borrowing totaled \$535,000. The amendment extended the senior credit facility interest only payment period through August 2014 from May 2014, the principal maturity date to September 2016 from June 2016, and the prepayment penalty period to February 2014. The \$1.3 million balance remaining under the facility is restricted to the acquisition of additional credit card residuals in the U.S.

CCI provides the general merchant community an integrated suite of merchant payment processing services and related software enabling products delivering credit and debit card-based payments processing solutions to small- and mid-sized merchants operating in physical “brick and mortar” business environments, over the internet, and in settings requiring wired as well as wireless mobile payment solutions. It also operates as an ISO generating individual merchant processing contracts in exchange for future residual payments.

### **ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None .

### **ITEM 9A CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized , and reported, within the time period specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, as appropriate, in order to allow timely decisions in connection with required disclosure.

#### **Evaluation of Disclosure Controls and Procedures**

The Company's principal executive officer and its principal financial officer carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15 (e) under the Exchange Act) as of December 31, 201 2 , pursuant to Exchange Act Rule 13a-15. Such disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the appropriate management on a basis that permits timely decisions regarding disclosure. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded the Company's disclosure controls and procedures as of December 31, 201 2 , were effective.

#### **Management's Report O n Internal Control Over Financial Reporting \_**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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In connection with the preparation of our annual financial statements, we have assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Our assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls.

Based upon our evaluation, we have determined that, as of December 31, 2012, there were material weaknesses in our internal control over financial reporting. As defined by the Public Company Accounting Oversight Board (United States) Auditing Standard No. 5, a material weakness is a deficiency or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected. The material weaknesses identified during management's assessment were (i) a lack of segregation of duties to ensure adequate review of financial transactions, (ii) a lack of written policies and procedures surrounding the accumulation and summarization of financial transactions, and (iii) a lack of documentation evidencing the controls that do exist were operating effectively. In light of these material weaknesses, management has concluded that, as of December 31, 2012, the Company did not maintain effective internal control over financial reporting.

During 2012, our accounting staff consisted of a two individuals, our Chief Financial Officer and a Senior Accountant. In order to improve the lack of segregation of duties in the future, we may add to our accounting staff, but only modestly. Except for purposes of building and maintaining an environment of strong internal controls over financial reporting, our business model does not require an accounting staff beyond two or three individuals; however, we retain an independent contractor with extensive financial accounting and reporting experience to assist us in the preparation of our reports filed with the SEC. As such, the Company may never achieve an effective control environment completely lacking of material control weaknesses.

### **Changes In Internal Control Over Financial Reporting**

There were no changes in our internal controls over financial reporting during the fourth quarter of the year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Limitations on the Effectiveness of Controls**

The Company's disclosure controls and procedures provide the Company's Chief Executive Officer and Chief Financial Officer with reasonable assurances that the Company's disclosure controls and procedures will achieve their objectives. However, the Company's management does not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting can or will prevent all human error. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are internal resource constraints, and the benefit of controls must be weighed relative to their corresponding costs. Because of the limitations in all control systems, no evaluation of controls can provide complete assurance that all control issues and instances of error, if any, within the Company's company are detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur due to human error or mistake. Additionally, controls, no matter how well designed, could be circumvented by the individual acts of specific persons within the organization. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all potential future conditions.

We are a smaller reporting company and are required to comply with the internal control reporting and disclosure requirements of Section 404 of the Sarbanes-Oxley Act for fiscal years ending on or after July 15, 2007. Although we are working to comply with these requirements, we have limited financial personnel making compliance with Section 404 - especially with segregation of duty control requirements - very difficult, if not impossible, and cost prohibitive. While the SEC has indicated it expects to issue supplementary regulations easing the burden of Section 404 requirements for small entities like us, such regulations have not yet been issued.

### **Attestation Report of the Independent Registered Public Accounting Firm**

This report does not include an attestation report of our independent registered public accounting firm regarding our internal controls over financial reporting. Under SEC rules, such attestation is not required for smaller reporting companies.

### **ITEM 9B OTHER INFORMATION**

None.

## PART III

## ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

## Identification Of Directors And Executive Officers

The following table lists our directors and executive officers, their respective positions and offices, and the respective dates they were first elected or appointed .

<u>Name</u>	<u>Position And Office</u>	<u>Elected Or Appointed</u>
Harold H. Montgomery	Director, Chairman of the Board, Chief Executive Officer, and Secretary	April 23, 2010
Craig A. Jessen	Director and President	April 23, 2010
Laird Q. Cagan	Director	April 23, 2010
Shashank M. Joshi	Director	December 5, 2012
David N. Pilotte	Chief Financial Officer	April 23, 2010

There is no arrangement or understanding between any director or executive officer and any other person pursuant to which any director or officer was or is to be selected as a director or officer, and there is no arrangement, plan, or understanding as to whether non-management shareholders will exercise their voting rights to continue to elect the current board of directors. There also are no arrangements, agreements, or understandings to our knowledge between non-management shareholders that may directly or indirectly participate in or influence the management of our affairs.

**Business Experience*****Harold H. Montgomery, Chairman of the Board, Chief Executive Officer, and Secretary***

Mr. Montgomery, age 53, has been our Chairman of the Board, Chief Executive Officer, and Secretary since April 2010. Since March 2012, Mr. Montgomery has been Chairman of the Board of Digital Payments Processing Limited (“DPPL”), a Calpian equity investee, and a member of the board of directors of My Mobile Payments Limited (“MMPL”), a DPPL affiliate. A co-founder of the Company in 1987, Mr. Montgomery started ART Holdings, Inc. (“ART”), a merchant payment processing company. While a full-time employee of ART, Mr. Montgomery led a team doing business under the name “Calpian,” which acquired over 200 ISO merchant processing portfolios between 2003 and 2009. Mr. Montgomery continues to serve ART as a director and executive officer. From 1985 to 1987, Mr. Montgomery was employed by Wellington Associates, a Dallas-based investment bank focused on mergers and acquisitions and corporate finance. In 1983, Mr. Montgomery managed the Dallas Area Rapid Transit Authorization election campaign.

Mr. Montgomery is a Trustee of the Communities Foundation of Texas, a community chest foundation. He also is a Trustee of the Caruth Foundation and St. Mark’s School of Texas. He has served as a board member and president of the Dallas Committee on Foreign Relations and Big Thought, a community education agency. He is a member of the Council on Foreign Relations located in New York. Mr. Montgomery was a member of the Young Presidents’ Organization (“YPO”) from 1991 to 2009, and chaired the Florence, Italy YPO University.

Mr. Montgomery has served as an industry expert for the Federal Reserve Bank of Philadelphia Payment Card Center and the U.S. Congress as an expert witness for credit card reform legislation. He is a frequent speaker at industry events and trade shows, and a regular contributor to industry trade publications, including Transaction World Magazine.

Mr. Montgomery attended St. Mark’s School of Texas and Stanford University where he received a BA (International Relations) in 1982 and an MBA in 1985.

Mr. Montgomery brings to the Board of Directors extensive experience in the payment processing industry as well as extensive experience acquiring residual portfolios.

***Craig A. Jessen, Director and President***

Mr. Jessen, age 54, has been a Director and President of the Company since April 2010. From 2001 to 2009, he served as President and Chief Operating Officer of ART. While an employee of ART, Mr. Jessen was the executive responsible for the acquisitions and integrations of Checktronic (1993) and Cash Lane (1999). Mr. Jessen was involved in the launch and conduct of ART’s merchant credit card processing business. At ART, Mr. Jessen analyzed, underwrote, and closed over 200 residual portfolio acquisitions totaling \$60.0 million in value resulting in a combined portfolio of nearly 37,000 merchants, \$16.0 million of net annual revenue, and \$11.0 million in cash flow. In addition, while at ART, he provided advice to ISOs

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and agents in multiple business areas including risk management, customer service, sales channel profitability, sales efficiency, processing contracts, pricing, attrition, work flow , and staffing level. Mr. Jessen continues to serve ART as a director and executive officer. Mr. Jessen's earlier employment included: from 1987 to 1990 , Transport Insurance Company, an insurance company with offices in Dallas, Texas; from 1984 to 1986 , InterFirst Corporation, a multibank holding company headquartered in Dallas, Texas; from 1978 to 1984 , United Parcel Service, a worldwide shipping, freight, logistics , and supply chain management company out of its Dallas, Texas office .

Mr. Jessen earned his BBA from the University of Texas at Arlington in 1984 and his MBA from Southern Methodist University in 1987.

Mr. Jessen brings to the Board of Directors extensive experience in the payment processing industry as well as extensive experience acquiring residual portfolios.

### ***Laird Q. Cagan, Director***

Mr. Cagan, age 54, has been a Director of the Company since April 2010. Mr. Cagan is a co-founder and Managing Director of Cagan McAfee Capital Partners, LLC ("CMCP"), an investment company based in Cupertino, California he formed in 2001. From 2004 until 2008, Mr. Cagan was Managing Director of Chadbourn Securities, Inc. In 2008, Chadbourn was absorbed by Colorado Financial Services Corporation ("CFSC") at which time Mr. Cagan became a registered representative and principal of CFSC serving in that capacity until 2012. He holds Series 7, 63, and 24 licenses, but is not currently registered with any broker-dealer. He also continues to serve as President of Cagan Capital, LLC ("CCLLC"), an investment company he formed in 1990, the operation of which transitioned into CMCP. Mr. Cagan serves on the boards of directors of Evolution Petroleum, Inc. and Blue Earth, Inc. Previously, he served on the boards of directors of Aemetis (formerly AE BioFuels), Camac Energy (formerly Pacific Asia Petroleum), Fortes Financial Corporation, TWL Corporation, Tombstone Exploration Corporation, World Sage, Inc., and Global Carbon Group LLC.

Mr. Cagan was a director of Fortes Financial Corporation when the company and its officers and directors entered into a Consent Order with the State Banking Department of New Hampshire for not funding one mortgage loan that had a conditional commitment. The officers of the company, but not Mr. Cagan nor any director, collectively paid a fine of \$2,500 and, as the company had ceased operations and had requested a cancellation of its state license, all parties agreed to a permanent observance of a cease and desist order and revocation of Fortes Financial's license to broker mortgages in the state. Mr. Cagan was a registered representative of Colorado Financial Services Corporation when he was served an administrative suspension from December 15-29, 2008 for violation of a FINRA rule, failure to provide copies of personal brokerage statements to his broker-dealer.

Mr. Cagan attended the Massachusetts Institute of Technology. He received his B.S. and M.S. degrees in engineering and his MBA, all from Stanford University.

Mr. Cagan's extensive investment banking experience, expertise in securing seed capital, operating high-risk startups, education, and board of director service to public and private companies qualify him to serve on our Board.

### ***Shashank M. Joshi, Director***

Mr. Joshi, age 39 , was appointed to our Board of Directors in December 2012. He is a Founder and Managing Director of Digital Payments Processing Limited , our equity investee , and its affiliate , My Mobile Payments Limited . Mr. Shashank has over 18 years of professional experience in the areas of IT and ITES, outsourcing, and transition and management consulting. During the last 10 years, he has been an entrepreneur and pioneer in the successful execution of merchant cash advance and merchant processing businesses in the U.S. through an offshore operation in India. Mr. Shashank has cross-border global experience of more than six years in simplifying payments. He also specializes in motivational and leadership training. Mr. Shashank holds a degree in Mechanical Engineering from Maharashtra Institute of Technology .

### ***David N. Pilotte, Chief Financial Officer***

Mr. Pilotte, age 54 , has been our Chief Financial Officer since April 2010 and, since March 2012, he has been a member of the board of directors of Digital Payments Processing Limited, a Calpian equity investee . In 1996 Mr. Pilotte formed an independent consulting practice, DNP Financial, LLC, located in Plano, Texas through which he has advised and continues to advise small - and middle-market companies on matters of accounting, corporate finance, public reporting, due diligence, debt restructuring, and profit improvement , and has served on occasion as an interim executive. From June 2007 to February 2008, Mr. Pilotte served as Chief Financial Officer of Omniflight Helicopters, an Addison, Texas- based company providing nationwide air ambulance services. From October 2004 to June 2006, Mr. Pilotte served as Chief Financial Officer and Chief Operating Officer of Digital Recorders, Inc., a NASDAQ - listed company headquartered in Dallas, Texas engaged in the design, manufacture, and sale of digital telemetry equipment for public transportation systems and surveillance equipment for the military and law enforcement agencies. Prior to 2004, Mr. Pilotte held the positions of Chief

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Financial Officer, Corporate Controller, and Corporate Treasurer with public companies ranging from start-ups to \$700 million in revenue, including Axtive Corporation (NASDAQ), American Pad & Paper (AMEX), Cyrix/National Semiconductor (NASDAQ), and Baldor Electric Company (NYSE). Mr. Pilotte started his career with Arthur Andersen & Company in 1984.

Mr. Pilotte holds a bachelor's degree in finance from the University of Florida, an MBA with concentrations in general management and accounting from the University of Houston, and has been a CPA in Texas since 1986. Mr. Pilotte is a member of CEO Netweavers and Financial Executives International; he serves as an accounting and reporting expert for investor information groups Evaluserve's Circle of Experts and the Gerson Lehrman Group, and he is qualified as an "audit committee financial expert" as defined by the SEC.

### Significant Employees

Other than the executive officers named herein, the Company does not have any "significant employees."

### Family Relationships

There are no family relationships between any of our directors and executive officers.

### Affiliations

Other than ART, CCLLC, CMCP, DPPL, and MMPL, none of the entities that have employed any of our directors or executive officers over the past five years are affiliated with Calpian.

### Involvement In Legal Proceedings

To the best of our knowledge, during the past five years none of our directors or executive officers were involved in any of the following: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding, excluding traffic violations and other minor offenses; (3) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, or banking activities; and (4) being found by a court of competent jurisdiction in a civil action, the SEC, or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated. As described under *Business Experience*, Mr. Cagan was subject to an administrative suspension by a self-regulatory organization.

### Indemnification

Our Bylaws provide that we must indemnify and hold harmless our directors, officers, and other persons referenced in our Certificate of Formation as and to the extent permitted by the Texas Business Corporation Act. The indemnification is intended to be to the fullest extent permitted by the laws of the State of Texas.

Regarding indemnification for liabilities arising under the Securities Act of 1933, which may be permitted to directors or officers under Texas law, we are informed that, in the opinion of the Securities and Exchange Commission, indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors, certain officers of the Company, and persons who own more than 10% of a registered class of the Company's equity securities to file reports with the SEC.

Based on a review of filings with the SEC and written representations from our directors, officers, and other persons who own more than 10% or more of a registered class of the our shares that no other reports were required, we believe all parties complied during 2012 with the reporting requirements of Section 16(a) of the Exchange Act except as follows:

<u>Director, Officer, Or Beneficial Owner</u>	<u>Number Of Late Reports</u>	<u>Transactions</u>
Harold H. Montgomery	3	3
Laird Q. Cagan	2	2
Shashank M. Joshi	1	-
Mangesh Moghe	1	1



**Code of Ethics**

We have adopted a Code of Business Conduct and Ethics covering all of our officers and key employees which will be furnished, without charge, to any person on written request sent to: Secretary, Calpian, Inc., 500 North Akard Street Suite 2850, Dallas, TX 75201. We intend to disclose amendments to, or waivers from, a provision in our Code of Business Conduct and Ethics by posting such information on our website: www.calpian.com.

**ITEM 11 EXECUTIVE COMPENSATION**

**Summary Compensation Table**

The table below shows certain compensation information for services rendered by our current management in all capacities for the years ended December 31, 2012 and 2011. Other than as set forth herein, no executive officer's total compensation exceeded \$100,000 in any of the applicable years. The following information includes the dollar value of base salaries, whether paid or deferred. No separate compensation was paid to executive officers for their services as members of the Board of Directors.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Option Awards</u> <sup>(1)</sup>	<u>Total</u>
Harold H. Montgomery	2012	\$300,000		\$300,000
Chairman of the Board and Chief Executive Officer	2011	300,000		300,000
David N. Pilotte	2012	\$216,000	\$10,510	\$226,510
Chief Financial Officer	2011	223,000	58,933	281,933
Craig A. Jessen	2012	\$300,000		\$300,000
Director and President	2011	300,000		300,000

<sup>(1)</sup> – The expense recognized by the Company in accordance with Financial Accounting Standards Board ASC 505-50, *Equity-Based Payments to Non-Employees* on the grant vesting dates in each year.

**Employment Agreements with Executive Management**

As of the date hereof, we have not entered into employment contracts with our officers, but may do so in the future.

We are a party to an Independent Contractor's Agreement, dated April 23, 2010, pursuant to which we have engaged David N. Pilotte to serve as our Chief Financial Officer. Effective February 1, 2013, the Company and Mr. Pilotte amended the agreement to provide for the payment to Mr. Pilotte of a monthly retainer of \$ 25 ,000 and an annual grant of 200,000 equity units (common stock or options) pursuant to the *2011 Equity Incentive Plan* for his services as the Company's CFO and to provide certain financial advisory and other services to the Company on an approximately 7 0% full-time basis. In addition, Mr. Pilotte is entitled to participate in the Company's discretionary executive bonus program. The agreement is terminable by either party upon 60 days notice.

**Outstanding Equity Awards**

The following table shows certain information concerning outstanding stock options as of December 31, 2012, for our named executive officers.

<u>Name</u>	<u>Number Of Securities Underlying Options (#) Exercisable</u>	<u>Option Exercise Price (\$)</u>	<u>Option Expiration Date</u>
David N. Pilotte	200,000	\$2.50	April 13, 2021
	200,000	1.50	August 31, 2022 <sup>(1)</sup>

<sup>(1)</sup> – Become void if services are earlier terminated .



**Directors' Compensation**

Directors are not separately compensated for their services as board members .

**Compensation Committee Interlocks and Insider Participation**

In matters involving our directors and their separate interests, only disinterested directors vote .

**ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCK HOLDER MATTERS**

**Beneficial Ownership**

Shares are deemed to be "beneficially owned" by a person if such person, directly or indirectly, has or shares (a) voting power with respect to such shares, including the power to vote or to direct the voting of such shares; or (b) investment power with respect to such shares, including the power to dispose or to direct the disposition of such shares. In addition, a person is deemed to be the beneficial owner of shares if such person has the right to acquire beneficial ownership of such shares within 60 days. In the following tables, the "Percent Of Class" is based on 23,915,806 issued and outstanding shares of our common stock as of April 8, 2013 .

**Security Ownership of Certain Beneficial Owners**

Unless otherwise indicated, the following table sets forth information as of April 4, 2013, with respect to the shares of our common stock beneficially owned by each person known to us to be the beneficial owner of more than 5% of our common stock.

<u>Name And Address Of Beneficial Owner</u>	<u>Number Of Shares Beneficially Owned</u>	<u>Percent Of Class</u>
Mangesh Moghe <sup>(1)</sup> 18 Clark Avenue West Unit 149, Thornhill, Ontario Canada L4J 8H	2,430,770	10.2%

John Liviakis <sup>(2)</sup> c/o Calpian, Inc., 500 North Akard Street, Suite 2850, Dallas, Texas 75201	1,280,000	5.4%
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<sup>(1)</sup> – Based on Schedule 13G filed on February 14, 2012. Shares held by SVR Global Limited, a Hong Kong company of which Mr. Moghe is the sole shareholder.

<sup>(2)</sup> – Comprised of: (i) 694,760 shares directly held by Mr. Liviakis; (ii) 485,240 shares held in an IRA for the benefit of Mr. Liviakis; and (iii) 100,000 shares held by Liviakis Financial Communications, Inc. of which Mr. Liviakis is the sole shareholder, President and Chief Executive Officer

**Security Ownership of Management**

The following table sets forth information with respect to the beneficial ownership of our Company by (a) each of our directors and executive officers, and ( b ) all of our directors and executive officers as a group.

<u>Name Of Beneficial Owner</u>	<u>Number Of Shares Beneficially Owned</u>	<u>Percent Of Class</u>
Harold H. Montgomery <sup>(1)</sup>	5,244,484	21.9%
Craig A. Jessen <sup>(2)</sup>	3,300,000	13.8%
Laird Q. Cagan <sup>(3)</sup>	3,427,859	14.0%
Shashank M. Joshi	-	-
David N. Pilotte <sup>(4)</sup>	436,667	1.8%
All directors and executive officers as a group (5 persons)	12,409,010	49.8%

<sup>(1)</sup> – Comprised of: (i) 1,090,000 shares directly by Harold Montgomery; (ii) 3,810,000 shares held in an IRA for the benefit of Mr. Montgomery; (iii) 47,242 shares owned by the Molly Ann Montgomery 1995 Trust and 47,242 shares owned by the Philip Graham Montgomery 1997 Trust, trusts for the benefit of Mr. Montgomery's children for which Mr. Montgomery is trustee; (iv) 150,000 shares owned by Montgomery Investments, L.P. (the "LP") ; and (v) 100,000 shares owned by the Montgomery Non-Exempt Marital Trust, under trust dated January 1, 2007, (the



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“Trust”). Mr. Montgomery is a limited partner in the LP. The general partner of LP is a member of Mr. Montgomery’s immediate family. Mr. Montgomery may be deemed a remainderman of the Trust and may be deemed to share investment control over the shares held by the Trust. Mr. Montgomery disclaims beneficial ownership of all of the foregoing securities except to the extent of his pecuniary interest therein.

- (2) – Shares held in an IRA for the benefit of Mr. Jessen.
- (3) – C comprised of: (i) 1,640,000 shares held in an IRA for the benefit of Mr. Cagan; and (ii) 1,184,000 shares held in an IRA for the benefit of Mr. Cagan’s spouse; (iii) 16,000 shares held by The Cagan-Wolfenbarger Family Trust; and (iv) 5,878,859 shares issuable on exercise of immediately exercisable warrants beneficially owned by Mr. Cagan.
- (4) – C comprised of: (i) 36,667 shares directly held by Mr. Pilotte; and (ii) 400,000 shares issuable on exercise of immediately exercisable stock options.

## Equity Compensation Plan Information

The information under the caption “Shares Authorized For Issuance Under Equity Compensation Plans” in Item 5 of Part II of this Annual Report is incorporated herein by reference.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR ITEM 13 INDEPENDENCE

### Transactions With Related Persons

#### Support Services And Advances

ART Holdings, Inc. (“ART”) whose two founders, controlling shareholders, directors, and executive officers are directors, executive officers, and significant shareholders of Calpian has provided the Company since its startup period with certain support services. It has been verbally agreed payment for these services would accrue interest-free and be paid at a future date to be agreed on by the parties. At the most recent balance sheet date, unpaid expenses of \$85,699 incurred in 2010 and reimbursement for payments by ART on our behalf in 2012 totaled \$193,114.

#### Management Advisory Agreement

In 2011, we entered into a management advisory agreement with Cagan McAfee Capital Partners, LLC (“CMCP”), an investment company owned and controlled by Laird Cagan. The nonexclusive agreement provides for CMCP advising the Company on an array of financial and strategic matters and provides for the services of Laird Cagan as a member of our Board of Directors. Pursuant to the agreement, CMCP is paid \$14,500 plus expenses each month through December 2013. The agreement continues month-to-month beyond that date and is thereafter terminable by either party with 30 days notice. Entry into the agreement was approved by the disinterested Board members as being in the best interest of, and fair and reasonable to, the Company and its shareholders. Amounts expensed in 2012 and 2011 under the agreement totaled \$174,000 in each year.

#### Financing And Equity Transactions

In 2011, Cagan Capital, LLC (“CCLLC”), an entity owned and controlled by Mr. Cagan, purchased \$1.0 million of our subordinated notes payable and warrants to purchase up to 500,000 shares of our common stock at \$1.00 per share on a cashless basis. The transaction was approved by the disinterested Board members as being in the best interest of, and fair and reasonable to, the Company and its shareholders. In connection with the extension of the maturity date of the subordinated notes in 2012, CCLLC was issued an additional 71,233 warrants to purchase shares of our common stock at \$2.00 per share. There were no subordinated debt principal payments in 2012 or 2011 and interest paid at 12% per annum totaled \$120,000 in 2012 and \$46,333 in 2011.

In 2012, a company whose shareholders include our Chairman and Chief Executive Officer and members of his family purchased \$150,000 of our subordinated notes payable. In 2012, there were no principal payments and interest paid at 12% per annum totaled \$13,050.

In 2012 for public relations services, 180,000 shares of our common stock were issued to Financial Communications, Inc., a public relations firm, having a \$270,000 fair value. As of April 4, 2013, John Liviakis, the sole shareholder, President, and Chief Executive Officer of Financial Communications, Inc. beneficially owned more than 5% of our outstanding common stock. The transaction was approved by the disinterested Board members as being in the best interest of, and fair and reasonable to, the Company and its shareholders.

### Board of Directors

The Company has four persons serving as directors on our Board of Directors, namely, Harold H. Montgomery, Craig A. Jessen, Laird Q. Cagan, and Shashank M. Joshi. Pursuant to our Bylaws, our directors are elected at the annual meeting of

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our shareholders and, once appointed, serve until their successors are elected and qualified, until their prior death, resignation, or until removed from office in accordance with our Bylaws. Our Bylaws provide that the number of directors on our Board of Directors shall be fixed and changed from time to time by resolution of our Board of Directors or by the vote of our shareholders.

Because our common stock currently is not traded on any national securities exchange or other major trading system, we are not subject to any standards regarding the “independence” of our directors. None of the members of our Board of Directors is “independent” as defined in Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market.

**Committees of the Board of Directors**

Pursuant to our Bylaws, our Board of Directors may establish committees of one or more directors from time-to-time as it deems appropriate. The Company has no separate committees and all matters of corporate governance are addressed by the full Board of Directors. In matters involving our directors and their separate interests, only disinterested directors vote. We have neither a separate audit committee nor an “audit committee financial expert” as defined by applicable SEC rules. The Board may consider the establishment of a separate audit committee and, if established, will search for one or more qualified individuals to serve on the committee and as the Board’s “audit committee financial expert.”

**ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the fees billed for professional services performed by Whitley Penn LLP, our independent registered public accounting firm, for the years ended December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Audit fees <sup>(1)</sup>	\$ 71,356	\$ 59,836
Audit-related fees	-	-
Tax fees	-	-
Other fees	-	-
Total fees	<u>\$ 71,356</u>	<u>\$ 59,836</u>

<sup>(1)</sup> – These amounts represent fees for the audit of our annual financial statements, the review of financial statements included in our quarterly Form 10-Q reports, and similar engagements for the year such as review of documents filed with the SEC.

It is the policy of our Board of Directors that all services to be provided by our independent registered public accounting firm, including audit services and permitted audit-related and non-audit services, must be pre - approved by our Board. Our Board of Directors pre - approved all services, audit and non-audit, provided for 2012 and 2011.

**PART IV**

**ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

**Financial Statements**

The following financial statements are included in Item 8 of this Annual Report:

- Balance sheets as of December 31, 2012 and 2011
- Statements of Comprehensive Loss for the years ended December 31, 2012 and 2011
- Statements of Cash Flows for the years ended December 31, 2012 and 2011
- Statements of Shareholders’ Equity for the years ended December 31, 2012 and 2011

**Financial Statement Schedules**

Financial statement schedules have been omitted because they either are not applicable or the required information is included in the financial statements or notes thereto.

**Exhibits**

The Exhibit Index immediately preceding the exhibits required to be filed with this report is incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CALPIAN, INC.  
(Registrant)

April 8, 2013

/s/ Harold H. Montgomery  
Harold H. Montgomery  
Chief Executive Officer and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b><u>Signature</u></b>	<b><u>Title</u></b>	<b><u>Date</u></b>
<u>/s/ Harold H. Montgomery</u> Harold H. Montgomery	Director, Chairman of the Board, Chief Executive Officer, and Secretary (p rincipal ex ecutive o fficer)	April 8 , 201 3
<u>/s/ David N. Pilotte</u> David N. Pilotte	Chief Financial Officer (p rincipal f inancial and a ccounting o fficer)	April 8 , 201 3
<u>/s/ Craig A. Jessen</u> Craig A. Jessen	Director and President	Apri l 8 , 201 3
<u>/s/ Laird Q. Cagan</u> Laird Q. Cagan	Director	April 8 , 201 3
<u>/s/ Shashank M. Jos hi</u> Shashank M. Joshi	Director	April 8 , 2013

## EXHIBIT INDEX

<u>Exhibit Number and Description</u>		<u>Incorporated By Reference</u> <u>(if</u> <u>applicable)</u>		
		<u>Form</u>	<u>Filed</u>	<u>Exhibit</u>
<b>(3)</b>	<b>Articles of Incorporation and Bylaws</b>			
3.1	Certificate of Formation – For-Profit Corporation of Toyzap.com, Inc.	SB-2	October 18, 2007	3.1
3.2	Bylaws	SB-2	October 18, 2007	3.2
3.3	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock	8-K	June 7, 2010	3.1
3.3	Certificate of Amendment to Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock	8-K	August 9, 2010	3.1
3.4	Certificate of Amendment to Certificate of Formation – For-Profit Corporation of Toyzap.com, Inc.	8-K	September 8, 2010	3.1
<b>(4)</b>	<b>Instruments Defining the Rights of Security Holders, Including Indentures</b>			
4.1	Specimen Common Stock Certificate	SB-2	October 18, 2007	4.1
4.2	Common Stock Warrant, form of	8-K	August 9, 2010	4.1
4.3	Company 2011 Equity Incentive Plan	8-K	April 15, 2011	10.1
4.4	Registration Rights Agreement, dated as of April 28, 2011, between the Company and HD Special-Situations II, LP.	8-K	May 4, 2011	4.1
4.5	Form of Warrant Agreement, dated August 7, 2012	8-K	August 10, 2012	4.1
4.6	Form of 2012 \$3.0 Million Note	8-K	August 10, 2012	4.2
4.7	Loan and Security Agreement between the Company and Granite Hill Capital Ventures, LLC entered into in November 2012	10-Q	November 13, 2012	4.7
4.8	First Amendment To Loan and Security Agreement dated as of February 27, 2013, by and among the Company and Granite Hill Capital Ventures, LLC *	N/A	N/A	N/A
4.9	Second Amendment To Loan and Security Agreement dated March 15, 2013, by and among the Company and Granite Hill Capital Ventures, LLC and listed new lenders *	N/A	N/A	N/A

	4.10	Form of Term Note pursuant to the Second Amendment To Loan and Security Agreement dated March 15, 2013, by and among the Company and Granite Hill Capital Ventures, LLC, et al *	N/A	N/A	N/A
<b>(10)</b>	<b>Material Contracts</b>				
	10.1	Purchase Agreement, form of (to purchase outstanding shares of the Company's Common Stock from selling shareholders)	10-Q	May 5, 2010	10.0
	10.2	Amended Lock-up Agreement, form of	10-K	March 31, 2011	10.3
	10.3	Subscription Agreement, form of, to purchase up to 2,666,667 shares of the Company's Common Stock	10-K	March 28, 2012	10.33
	10.4	Form of \$3MM Offering Note and Warrant	8-K	January 6, 2011	10.2
	10.5	Subscription Agreement Form of \$3MM Offering Note	8-K	January 6, 2011	10.3
	10.6	Form of \$3MM Offering Warrant Agreement	8-K	January 6, 2011	10.4
	10.7	Form of \$2MM Offering Note and Warrant	8-K	January 6, 2011	10.5
	10.8	Subscription Agreement Form of \$2MM Offering Note	8-K	January 6, 2011	10.6
	10.9	Form of \$2MM Offering Warrant Agreement	8-K	January 6, 2011	10.7
	10.10	Form of Note Modification Agreement, dated July 25, 2012 and effective August 7, 2012	8-K	August 10, 2012	10.1
	10.11	Company 2011 Equity Incentive Plan form of Stock Option Agreement	8-K	April 15, 2011	10.3
	10.12	Company 2011 Equity Incentive Plan form of Notice of Restricted Shares Grant	8-K	April 15, 2011	10.2
	10.13	Warrant to acquire up to 804,467 shares of Common Stock	8-K	May 4, 2011	10.3
	10.14	Residual Purchase Agreement, dated December 31, 2010, by and between the Company and Calpian Residual Partners V, L.P.	10-K	March 31, 2011	10.15
	10.15	Residual Purchase Agreement, dated January 7, 2011, by and between the Company and First Alliance Payment Processing, Inc.	10-K	March 31, 2011	10.17
	10.16	Residual Purchase Agreement, dated December 31, 2010, as amended January 25, 2011, by and between the Company and Cooper and Schifrin, LLC	10-K	March 31, 2011	10.18
	10.17	Amendment No. 2 to			

10.18	Residual Purchase Agreement, dated December 31, 2010, as amended July 29, 2011, by and between the Company and Cooper and Schifrin, LLC Amendment No. 2 and Amendment No. 3 to Residual Purchase Agreement, each dated June 30, 2011 and effective August 1, 2011, by and between the Company and First Alliance Payment Processing, Inc.	10-Q	August 11, 2011	10.4
10.19	Purchase Agreement, dated August 18, 2011, entered into by and among the Company, Sagecrest Holdings Limited, and certain entities affiliated therewith, ART Holdings, Inc., and ART Merchant Acquiring Inc.	10-Q	August 11, 2011	10.5
10.20	Amendment No. 3 to Residual Purchase Agreement dated December 31, 2010, as amended November 11, 2011, by and between the Company and Cooper and Schifrin, LLC +	10-Q	November 14, 2011	10.1
10.21	Amendment No. 4 to Residual Purchase Agreement dated December 31, 2010, as amended February 29, 2012, by and between the Company and Cooper and Schifrin, LLC +	10-K	March 28, 2012	10.28
10.22	Share Subscription and Shareholders Agreement dated March 28, 2012, by and between the Digital Payments Processing Limited, its founders (7), and the Company	10-K	March 28, 2012	10.29
10.23	Service Agreement dated March 28, 2012, between Digital Payment Processing Limited and My Mobile Payments Limited	10-K	March 28, 2012	10.30
10.24	Addendum to Service Agreement dated March 28, 2012, between Digital Payment Processing Ltd. and My Mobile Payments Ltd. *	10-K	March 28, 2012	10.31
10.25	Memorandum of Understanding dated March 28, 2012, between Digital Payments Processing Limited, its founders (7), My Mobile Payments Limited, and the Company	N/A	N/A	N/A
10.26	Asset Purchase Agreement dated February 27, 2013	10-K	March 28, 2012	10.32

		among the Company and Pipeline Data Inc. and The Other Sellers *	N/A	NA	N/A
	10.27	Advisory Agreement, dated January 1, 2011, by and between the Company and Cagan McAfee Capital Partners, LLC	8-K	January 6, 2011	10.1
	10.28	Amendment #1 to Independent Contractor's Agreement by and between the Company and David Pilotte	10-K	March 31, 2011	10.4
	10.29	Amendment #2 to Independent Contractor's Agreement by and between the Company and DNP Financial Strategies effective February 1, 2013			
		*	N/A	N/A	N/A
<b>(14)</b>	<b>Code of Ethics</b>				
	14.1	Code of Business Conduct and Ethics *	N/A	N/A	N/A
<b>(31)</b>	<b>Rule 13a-14(a)/15d-14(a) Certifications</b>				
	31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) (Chief Executive Officer) *			
	31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) (Chief Financial Officer) *			
<b>(32)</b>	<b>Section 1350 Certifications</b>				
	32.1	Section 1350 Certification (Chief Executive Officer) *			
	32.2	Section 1350 Certification (Chief Financial Officer) *			
<b>101</b>	<b>Interactive Data File</b>				
	101.INS	XBRL Instance**			
	101.SCH	XBRL Taxonomy Extension Schema**			
	101.CAL	XBRL Taxonomy Extension Calculation**			
	101.DEF	XBRL Taxonomy Extension Definition**			
	101.LAB	XBRL Taxonomy Extension Labels**			
	101.PRE	XBRL Taxonomy Extension Presentation**			

+ Confidential treatment has been requested for portions of this exhibit and such portions have been filed separately with the Commission. The copy filed herewith omits the information for which confidential treatment has been requested and replaces it with [\*\*\*].

\* Filed herewith.

\*\* XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.





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<<<To be executed on a stamp paper of Rs. 100>>>

**ADDENDUM TO SERVICE AGREEMENT**

**BETWEEN**

**DIGITAL PAYMENTS PROCESSING LTD. (“DPPL OR SERVICE PROVIDER”)**

**AND**

**MY MOBILE PAYMENTS LTD. (“MMPL”)**

This addendum to Service Agreement dated 23 March 2012 signed between the Service Provider and MMPL (“ **Amendment Agreement** ”) is made at Mumbai this \_\_\_ September 2012 between:

**Digital Payments Processing Limited**, a public limited company registered under the provisions of Companies Act, 1956 in India, and having its registered office at 7<sup>th</sup> Floor, MET Complex, Bandra Reclamation, Bandra (West), Mumbai 400050, Maharashtra, India, hereinafter called and referred to as the “**Service Provider**” (which expression shall unless it be repugnant to the context or meaning thereof be deemed to mean and include its successors and permitted assigns) of the FIRST PART.

**And**

**My Mobile Payments Ltd.** , a public limited company registered under the provisions of the Companies Act, 1956 in India, and having its registered office at 7<sup>th</sup> Floor, MET Complex, Opp. Lilavati Hospital, Bandra (West), Mumbai 400050, Maharashtra, India, hereinafter referred to as “**MMPL**”, (which expression shall unless it be repugnant to the context or meaning thereof be deemed to mean and include its successors and permitted assigns) of the SECOND PART;

**WHEREAS –**

1. MMPL and the Service Provider have signed the Service Agreement, to avail Support Services of the Service Provider in relation to MMPL Services as an independent contractor according to the terms and conditions stated in the Service Agreement.
2. MMPL is providing Intellectual Property Rights (“IP Rights”) to Service Provider towards which Service Provider is required to pay consideration to MMPL.
3. The parties have mutually discussed, clarified and corrected certain commercial obligations in order to laying out appropriate understanding prevailing between the parties.
4. The parties have identified that the break-down of fee that the Service Provider is required to pay to MMPL is with respect to the IP rights licensed to Service Provider and accordingly it is required to be paid in terms of the amount of work involved on efforts basis. Accordingly the parties have decided to change the payment structure and the license period to 7 years. In addition the payment is to be made only on the basis of certain prerequisites to be met by MMPL and such periodical certifications are given to Service Provider.
5. In addition to, the parties have identified certain practical errors related to reimbursement of rental and electricity expenses that needs to be corrected and appropriately recorded.
6. Accordingly the parties considered it appropriate to mutually record all such understanding for appropriate relationship management.

NOW IT IS HEREBY AGREED AS follows :

1. Clause 3.4 of the Service Agreement shall be deleted entirely and substituted by the following :

“ **MMPL Costs**” shall mean

i) all and only such actual costs and fees payable to distributors and retailers of MMPL as available on MMPL platform ;

ii) Rs. 585,000 per month , plus applicable service tax , on account of rent for the premises situated at 7th Floor, MET Complex, opposite Lilavati Hospital, Bandra (West), Mumbai 400050, Maharashtra, India (“ **Leased Office** ”) and such periodical enhancement to the rent as per the rent agreement. Such periodical enhancement shall be shared between MMPL and DPPL on the same allocation percentage existing on the Effective Date , i.e. in the ratio of 10:90 between MMPL and DPPL , respectively .

It is hereby clarified that if the rent agreement between MMPL and the existing owners of the Leased Office terminates, then the aforesaid payment of Rs. 585,000 per month shall not be included in MMPL Costs .

2. Clause 3.8 of the Service Agreement shall be deleted entirely and substituted by the following :

3.8.1 Parties hereby agree that MMPL requires certain amount of money for enhancing and augmenting its Intellectual Property Rights (“ **IP Rights** ”) required for the provision of MMPL Services. It is further agreed between the Parties that MMPL shall provide exclusive license for the use of IP Rights to the Service Provider during the License Period . As a consideration for licensing the IP Rights, as a consideration for right given by MMPL to Service Provider for acquisition of customer and retailer on behalf of MMPL, for augmenting the IP Rights and for minor developments and support, the Service Provider shall pay to MMPL as follows:

- i) Rs. 37,500,000 (Rupees Thirty Seven Million Five Hundred Thousand only) to MMPL on Effective Date.

- ii) Rs. 15,000,000 (Rupees Fifteen Million only) to MMPL at the start of the first quarter commencing on July 1, 2012 .
- iii) Rs.7,500,000 (Rupees Seven Million Five Hundred Thousand only) to MMPL at the start of the second quarter.
- iv) Rs.7,500,000 (Rupees Seven Million Five Hundred Thousand only) to MMPL at the start of the third quarter.
- v) Rs.3,750,000 (Rupees Three Million Seven Hundred and Fifty Thousand only) to MMPL at the start of the fourth quarter.
- vi) Rs.3,750,000 (Rupees Three Million Seven Hundred and Fifty Thousand only) to MMPL at the start of the fifth quarter.

Each such payment is hereinafter referred to as “ **License and Augmentation Fee** ”

3.8.2 Notwithstanding anything contained herein, the aforesaid payments are subject to MMPL adhering to the following and providing to the Board of Service Provider i) periodical quarterly narrative descriptions of the enhancements and augmentations provided for in section 3.8.1 and ii) quarterly certification of such as follows:

- a. Augmentation made to the existing IP Rights and sharing such augmented IP Rights to Service Provider.
- b. Sharing related documentation to such IP Rights to the Service Provider and
- c. Removing bugs and issues from IP Rights from time to time.

Such narrative explanations shall be due to the Board of Service Provider no later than 30 days in advance of the next scheduled payment of License and Augmentation Fee , and failure to receive such narrative and certification would be a sufficient reason to delay payment of License and Augmentation Fee .

3.8.3 The License and Augmentation Fees shall be subject to deduction of tax at source, if applicable. Service Provider shall make that tax deduction and any payment required in connection with that tax deduction within the time allowed and in the

minimum amount required by Applicable Law. Service Provider shall deliver to MMPL the tax deduction certificates as prescribed by the Applicable Law that the tax deduction has been made or (as applicable) any appropriate payment has been paid to the relevant taxing authority within the time prescribed by the Applicable Law .

3.8.4 This License shall remain in force initially for a period of 7 years from the Effective Date. Upon the expiry of the said term or the renewed term (if any), this license shall automatically stand renewed for a further term(s) of 7 years . The initial term and e ach renewal is herein referred to as the “License Period”. At each such renewal the Service Provider shall provide Rs.500,000 to MMPL .

3. Clause 4 .1 of the Service Agreement shall be deleted entirely and substituted as follows:

4.1 I n consideration of the terms and conditions mentioned herein and in consideration of the License and Augmentation Fee, MMPL hereby grants an irrevocable, exclusive l icense during th e License Period in favour of the Service Provider to use the IP Rights on a world-wide basis.

4. I f any capitalized term used in this Amendment Agreement is not defined in the body of this Amendment Agreement, unless repugnant to the meaning or context thereof, the same shall have the meaning attributed to them in the Service Agreement .

5. This Amendment Agreement shall be effective retrospectively from March 23, 2012 .

6. This Amendment Agreement shall modify the agreement and understanding set out in the Service Agreement, as applicable, only to the limited extent set out herein. Except as specifically and expressly amended by this Amendment Agreement, all other provisions of the Service Agreement shall remain unchanged

and in full force and effect and shall continue to remain applicable and binding on the parties.

**IN WITNESS WHEREOF, the parties have executed this Addendum to the Agreement as of the day and year first above mentioned.**

<b>Digital Payments Processing Ltd. ("DPPL or Service Provider")</b>	<b>My Mobile Payments Ltd. ("MMPL")</b>
<b>Signature:</b>  /s/ Harold Montgomery	<b>Signature:</b>  /s/ Shashank Joshi
<b>Name and Designation:</b>  Harold Montgomery Chairman	<b>Name and Designation:</b>  Shashank Joshi Director
<b>Witness</b>	<b>Witness</b>
<b>Signature:</b>  /s/ Craig A. Jessen	<b>Signature:</b>  /s/ Ranjeet Oak
<b>Name: Craig A. Jessen</b>	<b>Name: Ranjeet Oak</b>

**ASSET PURCHASE AGREEMENT**

**dated as of February 27 , 2013**

**among**

**CALPIAN , INC .**

**and**

**PIPELINE DATA INC.**

**and**

**THE OTHER SELLERS NAMED HEREIN**

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## **EXHIBITS**

Exhibit A	-	Form of Bidding Procedures Order
Exhibit B	-	Form of Sale Order
Exhibit C	-	Form of Bill of Sale
Exhibit D	-	Form of Assumption Agreement
Exhibit E	-	Form of Trademark Assignment

## **SCHEDULES**

Schedule 2.1(a)(i)	Accounts Receivable Included in Purchased Assets
Schedule 2.1(a)(ii)	Acquired IP
Schedule 2.1(a)(iii)	Assumed Contracts
Schedule 2.1(a)(iv)	Assumed Leases
Schedule 2.1(a)(v)	Assumed Machinery, Tooling and Equipment
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Schedule 2.3(e)	Excluded Assets and Contracts
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Schedule 4.5	Subsidiaries and Affiliates
Schedule 4.6	Compliance with Law
Schedule 4.7	Litigation
Schedule 4.8	Title to Assets
Schedule 6.3	Conduct of the Business Pending the Closing

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## **ASSET PURCHASE AGREEMENT**

THIS ASSET PURCHASE AGREEMENT is made and entered into as of this 27th day of February, 2013, by and among (i) Calpian, Inc., a Texas corporation ("Buyer"), and each of (ii) Pipeline Data Inc., a Delaware corporation ("PDI"), Securepay.com Inc., a Delaware corporation ("Securepay"); Northern Merchant Services Inc., a New York corporation ("NMSI"); Pipeline Data Processing Inc., a Delaware corporation ("PDPI"); Pipeline Data Portfolio Acquisitions Inc., a Delaware corporation ("PDPAI"); Aircharge Inc., a Delaware corporation ("AI"); PayPipe Inc., a Delaware corporation ("PayPipe"); Paynet Systems Inc., a Georgia corporation ("PSI"); PayPassage Inc., a Georgia corporation ("PayPassage"); and Valadata Inc., a North Dakota corporation ("VI"). PDI and each of Securepay, NMSI, PDPI, PDPAI, AI, PayPipe, PSI, PayPassage and VI are each referred to herein as a "Seller" and collectively, "Sellers". Certain definitions are set forth in Article I below.

WHEREAS, the Bankruptcy Court entered the Bidding Procedures Order on December 19, 2012;

WHEREAS, pursuant to the Bidding Procedures Order the Sellers conducted the Auction on January 8, 2013;

WHEREAS, following the Auction, the Sellers selected AMS as the winning bidder for the Purchased Assets pursuant to the AMS Purchase Agreement and Buyer as the backup bidder;

WHEREAS, the Bankruptcy Court entered the Sale Order on January 15, 2013 authorizing the sale of the Purchased Assets to AMS pursuant to the AMS Purchase Agreement or, in the event AMS failed to consummate the transactions contemplated by the AMS Purchase Agreement, to Buyer;

WHEREAS, AMS failed to consummate the transactions contemplated by the AMS Purchase Agreement in the time contemplated by the AMS Purchase Agreement and Sellers have terminated the AMS Purchase Agreement with AMS; and

WHEREAS, Buyer desires to purchase, and Sellers desire to sell, convey, assign, transfer and deliver to Buyer the Purchased Assets as set forth herein;

NOW, THEREFORE, BE IT RESOLVED, in consideration of the mutual covenants, agreements and warranties herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### **ARTICLE I DEFINITIONS AND RULES OF CONSTRUCTION**

1.1 Definitions Unless otherwise defined herein, terms used herein shall have the meanings set forth below:

" Acquired IP " shall have the meaning set forth in Section 2.1(a)(ii) .

" Acquisition Proposal " means a proposal (other than by Buyer or its Affiliates) relating to any merger, consolidation, business combination, sale or other disposition of 5 0% or more of the Purchased Asset s pursuant to one or more transactions, the sale of 5 0% or more of the outstanding shares of capital stock or equity interests of any Seller (including by way of a tender offer, foreclosure, or plan of reorganization or liquidation) or a similar transaction or business combination involving one or more Third Parties and any Seller. For the avoidance of doubt, in no event shall any proposal solely with respect to the Excluded Assets or any portion thereof be included in the definition of " Acquisition Proposal. "

" Affiliate " of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where " control " means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities or otherwise.

" Agreement " means this Asset Purchase Agreement, including all the Exhibits and the Schedules hereto, as the same may be amended from time to time in accordance with its terms.

" AI " shall have the meaning set forth in the Preamble hereto.

" AMS " shall mean Applied Merchant Systems West Coast, Inc., a Nevada corporation .

" AMS Purchase Agreement " shall mean that certain Asset Purchase Agreement, dated as of November 16, 2012, among AMS and Sellers, as amended by that certain Amendment No. 1 to Asset Purchase Agreement dated as of January 9, 2013 .

" Assumption Agreement " shall have the meaning set forth in Section 10.2(c) hereof.

" Assumed Contracts " has the meaning set forth in Section 2.1(a)(iii) .

" Assumed Executory Contracts " means the Assumed Contracts and the Assumed Leases.

" Assumed Leases " means all of the Leases identified in Schedule 2.1(a)(iv) attached hereto.

" Assumed Liabilities " shall have the meaning set forth in Section 2.2(a) hereof.

" Auction " shall mean the auction conducted by Sellers pursuant to the Bidding Procedures Order.

" Bank Accounts " has the meaning set forth in Section 2.1(a)(xvi) .

" Bankruptcy Code " means title 11 of the United States Code.

" Bankruptcy Court " means the United States Bankruptcy Court for the District of Delaware .

" Benefit Plan " means any " employee benefit plan " (as defined in Section 3(3) of ERISA ) and any other benefit or compensation plan, program, agreement or arrangement.

" Bidding Procedures Order " means the order of the Bankruptcy Court, substantially in the form of Exhibit A attached hereto .

" Buyer " shall have the meaning set forth in the Preamble hereto.

" Card Organization(s) " means Visa, MasterCard, Discover, American Express, JCB, a debit network, and any successor or similar organization.

" Card Organization Rules " means the regulations and procedures issued by Card Organizations, as amended from time to time.

" Cash " means all cash, including checking account balances, certificates of deposit and other time deposits and petty cash, net of overdrafts, and marketable and other securities.

" Cash Merchant Reserves " has the meaning set forth in Section 2.1(a)(xi) hereof.

" Chapter 11 Cases " means the cases to be commenced promptly after execution of this Agreement by Sellers under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court.

" Claim " shall have the meaning set forth in Section 101(5) of the Bankruptcy Code.

" Closing " shall have the meaning set forth in Section 10.1 hereof.

" Closing Date " shall have the meaning set forth in Section 10.1 hereof.

" Contract " means any agreement, contract, commitment or other binding arrangement or understanding, whether written or oral, to which any Seller is a party and which any Seller is permitted under the Bankruptcy Code to assume and assign.

" Confidentiality Agreement " means that certain Confidentiality and Non-Disclosure Agreement, dated as of November 29 , 2012, between the Buyer and PDI.

" Cure Payments " means any cure payments or obligations (pursuant to Section 365 of the Bankruptcy Code or otherwise) due by Sellers with respect to any Assumed Executory Contract .

" Cynergy Processing Agreement " means that certain Independent Sales Organization Processing Agreement, dated as of July 1, 2010, between Cynergy Data, LLC and PDI.

" Cynergy Reserve Account " shall have the meaning set forth in Section 2.1(a)(xv) hereto.

" Deposit Amount " means One Hundred Thousand Dollars (\$100,000.00).

" Dollars " or " \$ " means dollars of the United States of America.

" Electronic Delivery " shall have the meaning set forth in Section 13.5.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended.

" Excluded Assets " shall have the meaning set forth in Section 2.3 hereof.

" Excluded Liabilities " shall have the meaning set forth in Section 2.4 hereof.

" Exhibits " means the exhibits hereto.

" Final Order " means an Order as to which the time to file an appeal, a motion for rehearing or reconsideration or a petition for writ of certiorari has expired and no such appeal, motion or petition is pending.

" GAAP " means, at a given time, United States generally accepted accounting principles, consistently applied.

" Governmental Authority " means any United States federal, state or local or any foreign government, governmental regulatory or administrative authority, agency or commission or any court, tribunal or judicial or arbitral body.

" Intellectual Property " means all of the following in any jurisdiction throughout the world: patents, patent applications and patent disclosures, together with all reissues, continuations, continuations-in-part, divisions, revisions, renewals, extensions and reexaminations thereof, trademarks, service marks, trade dress, logos, slogans, trade names, internet domain names and corporate names, together with all goodwill associated therewith, and applications, registrations and renewals in connection therewith, copyrights, mask works and copyrightable works, and applications, registrations and renewals in connection therewith, trade secrets and other confidential information, software (including source code, executable code, data, databases and documentation); domain names and URL addresses; and all other intellectual property .

" Knowledge of Sellers " or " Sellers ' Knowledge " shall mean the actual knowledge of Thomas Tesmer, Donald Guniesen and Kevin Weller with no duty of investigation.

" Leased Real Property " means any land, buildings, structures, improvements, fixtures or other component of real property in which Sellers have an interest and which is used by Sellers.

" Leases " means all of Sellers ' right, title and interest in all leases , including all amendments, extensions, renewals, guaranties and other agreements with respect thereto, pursuant to which Sellers hold a leasehold estate in, or are grante d the right to use or occupy a ny L eased Real Property .

" Lien " or " Liens " means any lien (statutory or otherwise), encumbrance, security interest, interest, mortgage, pledge, security agreement, option, or Order of any Governmental Authority.

" Material Adverse Effect " means any change or effect that is materially adverse to the financial condition or results of operations of the Sellers taken as a whole; provided, however, that none of the following shall be deemed in themselves, either alone or in combination, to constitute, and none of the following shall be taken into account in determining whether there has been or will be, a Material Adverse Effect: any adverse change or effect attributable to (i) the announcement or pendency of the transactions contemplated by this Agreement; (ii) conditions affecting the industry in which the Sellers participate, the U.S. economy as a whole or the capital markets in general or the markets in which any of the Sellers operate; (iii) compliance with the terms of, or the taking of any action required by, this Agreement; (iv) any change in applicable l aws or the interpretation thereof; (v) actions required to be taken under applicable l aws or Assumed Contracts ; (vi) any change in GAAP or other accounting requirements or principles or any change in applicable laws, rules or regulations or the interpretation thereof; or (vii) the commencement, continuation or escalation of a war, material armed hostilities or other material international or national calamity or act of terrorism directly or indirectly involving the United States of America .

" NMSI " shall have the meaning set forth in the Preamble hereto.

" Order " means any decree, order, injunction, rule, judgment, consent of or by any Governmental Authority.

" Ordinary Course of Business " means the operation of the business of the Sellers by Sellers in the usual and ordinary course in a manner substantially similar to the manner in which Sellers operated prior to the commencement of the Chapter 11 Cases.

" PayPassage " shall have the meaning set forth in the Preamble hereto.

" PayPipe " shall have the meaning set forth in the Preamble hereto.

" PDI " shall have the meaning set forth in the Preamble hereto.

" PDPAI " shall have the meaning set forth in the Preamble hereto.

" PDPI " shall have the meaning set forth in the Preamble hereto.

" Permits " means licenses, permits, approvals, certificates of occupancy, authorizations, operating permits, registrations, plans and the like.

" Permitted Liens " means (i) statutory liens for current Taxes or other governmental charges not yet due and payable or the amount or validity of which is being contested in good faith by appropriate proceedings by any of the Sellers and for which appropriate reserves have been established in accordance with GAAP; (ii) mechanics ' , carriers ' , workers ' , repairers ' and similar statutory liens arising or incurred in the ordinary course of business for amounts which are not delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings by any of the Sellers and for which appropriate reserves have been established in accordance with GAAP and which are not, individually or in the aggregate, significant; (iii) zoning, entitlement, building and other land use regulations imposed by governmental agencies having jurisdiction over the Leased Real Property which are not violated by the current use and operation of the Leased Real Property or any violation of which would not have a material adverse effect on the operation of the Sellers ' business thereon; (iv) covenants, conditions, restrictions, easements and other similar matters of record affecting title to the Leased Real Property which do not materially impair the occupancy or use of the Leased Real Property for the purposes for which it is currently used or proposed to be used in connection with the Seller s ' businesses; (v) public roads and highways; (vi) matters which would be disclosed by an inspection or accurate survey of each parcel of real property; (vii) liens arising under worker ' s compensation, unemployment insurance, social security, retirement and similar legislation; (viii) purchase money liens and liens securing rental payments under capital lease arrangements; (ix ) other liens arising in the Ordinary Course of B usiness and not incurred in connection w ith the borrowing of money; (x ) with respect to all Leased Real Property, all liens, encumbrances, charges mortgages, security interests and any and all other Liens of whatsoever nature which are suffered or incurred by the fee owner, any superior lessor, sublessor or licensor, or any inferior lessee, sublessee or licensee; (x i) any Liens pursuant to Assumed Executory Contracts, (xii) with respect to the Cynergy Reserve Account, any Liens pursuant to the Cynergy Processing Agreement, (xiii) any Liens which will be released at or prior to Closing, (xiv ) Liens pursuant to licenses of Intell ectual Property arising in the Ordinary Course of B usiness, and ( x v ) liens, the existence of which would not reasonably be expected to be material to the Purchased Assets .

" Person " means any corporation, partnership, joint venture, limited liability company, organization, entity, authority or natural person.

" Pre-Closing Tax Period " means all taxable periods ending on or before the Closing Date and the portion through the end of the Closing Date for any taxable period that includes (but doe s not end on) the Closing Date.

" Pro-Rated Receivables " shall have the meaning set forth in Section 2.7 hereof.

" PSI " shall have the meaning set forth in the Preamble hereto.

" Purchase Price " shall have the meaning set forth in Section 3.1 hereof.

" Purchased Assets " shall have the meaning set forth in Section 2.1(a) hereof.

" Regulation " means any law, statute, regulation, ruling, or Order of, administered or enforced by or on behalf of, a ny Governmental Authority.

" Rule " or " Rules " means the Federal Rules of Bankruptcy Procedure.

" Sale Order " means the order of the Bankruptcy Court in the form of Exhibit B attached hereto or in such other form or substance reasonably satisfactory to PDI and Buyer, entered by the Bankruptcy Court pursuant to Sections 363, 365 and 1146(c) of the Bankruptcy Code.

" Schedules " means the schedules attached hereto.

" Securepay " shall have the meaning set forth in the Preamble hereto.

" Seller " and " Sellers " shall have the meaning set forth in the Preamble hereto.

" Seller Revenue Payments " shall have the meaning set forth in Section 2.3(c) hereto.

" Shared Payables " means all payables or other liabilities relating to or with respect to Shared Receivables including, but expressly limited to, interchange, assessments, processing expenses, residuals paid to employees and ISOs, product costs, and PCI expenses as provided for in the gross margin analysis report and other payables directly related to Shared Receivables .

" Shared Receivables " means all revenue or receivables generated under Assumed Executory Contracts from February 1, 2013 through and including the Closing Date other than the receivables identified on Schedule 2.1(a)(i) .

" Subsidiary " means, with respect to any Person, any corporation a majority of the total voting power of shares of stock of which is entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or any partnership, limited liability company, association or other business entity a majority of the partnership or other similar ownership interest of which is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof.

" Tax " and, with correlative meaning, " Taxes " mean with respect to any Person all federal, state, local, county, foreign and other taxes, assessments or other government charges.

" Tax Code " shall have the meaning set forth in Section 12.4 hereof.

" Transfer Taxes " shall have the meaning set forth in Section 6.8(b) hereof.

" Tax Return " means any report, return, declaration, claim for refund or other information or statement supplied or required to be supplied by any Seller relating to Taxes, including any schedules or attachments thereto and any amendments thereof.

" Third Party " means any Person other than Sellers, Buyer or any of their respective Affiliates.

" Transaction Documents " means this Agreement, and all other agreements, instruments, certificates and other documents to be entered into or delivered by any party in connection with the transactions contemplated to be consummated pursuant to this Agreement.

" VI " shall have the meaning set forth in the Preamble hereto.

1.2 Rules of Construction . Unless the context otherwise clearly indicates, in this Agreement:

- (a) the singular includes the plural;
- (b) " includes " and " including " are not limiting;
- (c) " may not " is prohibitive and not permissive; and
- (d) " or " is not exclusive.

## **ARTICLE II PURCHASE AND SALE; ASSUMPTION OF CERTAIN LIABILITIES**

2.1 Purchase and Sale of Assets

(a) Subject to the terms and conditions set forth in this Agreement, at the Closing, Sellers shall sell, contribute, convey, assign, transfer and deliver to Buyer , free and clear of all Liens (except for the Assumed Liabilities and Liens that Sellers can not sell free and clear of pursuant to Section 363(f) of the Bankruptcy Code including, without limitation, Liens set forth in clauses (xi), (xii) and (xiv) of the definition of Permitted Liens ), and Buyer shall purchase, acquire and take assignment and delivery of, for the consideration specified in Section 3.1 , all of the following properties, assets, rights, title and interests of the Sellers as of the Closing Date to the extent permitted by all applicable laws and Card Organization Rules , but excluding Excluded Assets pursuant to Section 2.3 (all of the assets to be sold, assigned, transferred and delivered to Buyer hereunder herein called the " Purchased Assets " ) :

(i) all accounts receivable of the Sellers which are both not associated with processing revenue and are specifically set forth on Schedule 2.1(a)(i) hereof ;

(ii) all Intellectual Property owned by Sellers (including all of the Intellectual Property set forth on Schedule 2.1(a)(ii) ) (collectively, the " Acquired IP " );

(iii) subject to Section 2.5 , all of Sellers ' rights existing under any of the following Contracts except for Contracts identified on Schedule 2.3(e) (collectively, the " Assumed Contracts " ) : (i) Contracts with merchants, (ii) sales agreements (ISO agreements), and (iii) sponsor, processing and other Contracts specifically identified on Schedule 2.1(a)(iii) ;

(iv) subject to Section 2.5 , all of Sellers' rights existing under the Leases set forth on Schedule 2.1(a)(iv) (the " Assumed Leases " ) and any deposits under any Assumed Leases .

(v) the equipment, fixtures, trade fixtures, computer equipment and hardware, telephone systems, network systems and furniture identified on Schedule 2.1(a)(v) hereto and all office supplies located thereon and all other equipment, fixtures, trade fixtures, computer equipment and hardware, telephone systems, network systems, furniture and office supplies located at the real property subject to Assumed Leases ;

(vi) the right to receive and retain mail, payments of accounts receivable and other communications used in, useful for or otherwise associated with the business of the Sellers ;

(vii) the right to bill and receive payment for services performed but unbilled or unpaid as of the Closing;

(viii) all advertising, marketing and promotional materials, all archival materials, and all other printed or written materials owned by the Sellers ;

(ix) all transferable Permits, licenses, certifications, approvals and similar rights from all permitting, licensing, accrediting and certifying agencies, and the rights to all data and records held by such permitting, licensing and certifying agencies owned by the Sellers ;

(x) all books and records of Sellers primarily related to the Purchased Assets, including the list of merchants which are party to Assumed Contracts;

(xi) all Cash merchant reserves held by Sellers with respect to Assumed Contracts with merchants which have been active within two hundred seventy days prior to Closing and all Cash merchant reserves held by Sellers set forth on Schedule 2.1(a)(xi) ( collectively, " Cash Merchant Reserves ");

(xii) all telephone numbers located at the real property subject to Assumed Leases ;

(xiii) insurance proceeds or recoveries with respect to any casualty or damage loss with respect to tangible Purchased Assets prior to Closing;

(xiv) one-half of the Shared Receivables as set forth in Section 2.7 ;

(xv) the reserve account established pursuant to the Cynergy Processing Agreement equal to \$500,000 (the " Cynergy Reserve Account " ) ; and

(xvi) to the extent transferable and subject to Section 6.5 , all rights and interests on and to the bank accounts and lock boxes (but not any Cash held therein) of AI, Charge.com Inc., NMSI, Northern Merchant Services Inc. Merchant Fee, PDPAI , PDPI, PDI, Pipeline Data Flexible Spending Account, Pipeline Data Settlement Account, Pipeline Data Inc. Collections, Pipeline Data Inc. Reserve, Pipeline Data Reserves Security Holds, PSI, Securepay, SecurePay.com, Inc. Operating Account and VI (collectively, the " Bank Accounts " ) .

(b) All of the Purchased Assets shall be sold, assigned, transferred, conveyed and delivered to Buyer free and clear of all Liens (other than Liens that Sellers can not sell free and

clear of pursuant to Section 363(f) of the Bankruptcy Code including, without limitation, Liens set forth in clauses (xi), (xii) and (xiv) of the definition of Permitted Liens).

(c) EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS, (I) THE PURCHASED ASSETS ARE BEING SOLD ON AN "AS IS, WHERE IS" BASIS, AND (II) NO SELLER MAKES ANY OTHER WARRANTIES, INCLUDING MERCHANTABILITY, FITNESS OR OTHERWISE WITH RESPECT TO THE PURCHASED ASSETS.

## 2.2 Assignment and Assumption of Liabilities.

(a) Subject to the terms and conditions set forth in this Agreement, in addition to the Purchase Price and as additional consideration for the Purchased Assets, Buyer shall assume from Sellers, and thereafter be responsible for the payment, performance or discharge of the following liabilities and obligations of Sellers (all such liabilities and obligations herein called the "Assumed Liabilities"):

(i) subject to Section 2.5, obligations under the Assumed Executory Contracts first arising after the Closing and all chargebacks and similar liabilities or obligations with respect to or related to any periods prior to the Closing, including without limitation all payables or other liabilities relating to or with respect to revenue or receivables generated on or after the Closing Date as set forth in Section 2.7 below;

(ii) one-half of the Shared Payables as set forth in Section 2.7.

(iii) subject to Section 2.5, any Cure Payments with respect to Assumed Executory Contracts set forth on Schedule 2.6 attached hereto;

(iv) obligations of Buyer under this Agreement or any of the other Transaction Documents; and

(v) obligations of Seller to refund Cash Merchant Reserves owed to merchants.

(b) Notwithstanding anything in this Agreement to the contrary, Sellers hereby acknowledge and agree that Buyer is not assuming from Sellers, or is in any way responsible for, the Excluded Liabilities.

2.3 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, the following assets of Sellers shall be retained by Sellers and are not being sold or assigned to Buyer hereunder (all of the following are referred to collectively as the "Excluded Assets"):

(a) all Cash other than Cash Merchant Reserves;

(b) all security and other deposits, including all reserve accounts, other than the Cynergy Reserve Account and any deposits under any Assumed Leases and merchant reserves held by 3rd parties on behalf of merchants;

(c) all revenue or receivables generated prior to February 1, 2013 other than receivables specifically identified on Schedule 2.1(a)(i) attached hereto , including any residual payments generated prior to the Closing under any processing agreements , merchant agreements or other Contracts, including any Assumed Contracts ( " Seller Revenue Payments " ) as set forth in Section 2.7 below ;

(d) any and all rights under this Agreement and avoidance claims or causes of action arising under the Bankruptcy Code or applicable state law, including all rights and avoidance claims of Sellers arising under Chapter 5 of the Bankruptcy Code ;

(e) any asset or Contract set forth on Schedule 2.3(e) attached hereto;

(f) one-half of the Shared Receivables as set forth in Section 2.7 ;

(g) all rights and interests in and to bank accounts, safety deposit boxes and lock boxes , including the Bank Accounts, except with respect to the Bank Accounts as set forth in Section 6.5 ;

(h) income Tax Returns of Sellers and related materials ;

(i) the equity securities or other ownership interest of any Seller;

(j) the equity securities or other ownership interest of any of Sellers ' Affiliates, including the equity securities or other ownership interest of Pipeline Data, Canada Inc., an Ontario corporation ;

(k) each Seller ' s corporate charter, qualifications to conduct business as a foreign corporation, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books and blank stock certificates and other documents relating solely to the organization, maintenance and existence of such Seller as a corporation or limited liability company;

(l) the Purchase Price and all other rights of Sellers under or pursuant to this Agreement and the Schedules attached hereto and any other agreements entered into by Sellers pursuant to this Agreement;

(m) the assets associated with any Benefit Plan ;

(n) the books and records of the Sellers other than books and records primarily related to the Purchased Assets ;

(o) all rights with respect to the AMS Purchase Agreement and each of the other agreements with AMS or executed in connection with the transactions contemplated by the AMS Purchase Agreement; and

(p) all other assets and properties not otherwise specifically identified as Purchased Assets in Section 2.1(a) above , including without limitation all Leases of Sellers and all Contracts other than the Assumed Executory Contracts .

2.4 No Other Liabilities Assumed. Each Seller acknowledges and agrees that pursuant to the terms and provisions of this Agreement, Buyer will not assume or in any way become liable for any obligation of any Seller, other than the Assumed Liabilities (collectively, the "Excluded Liabilities"). In furtherance and not in limitation of the foregoing, neither Buyer nor any of its Affiliates shall assume, and shall not be deemed to have assumed, any of the following Excluded Liabilities :

(a) all obligations or liabilities of Seller s that relate to any of the Excluded Assets (including under any Contracts related thereto) (other than one-half of the Shared Receivables as set forth in Section 2.7) ;

(b) all obligations or liabilities for any legal, accounting, investment banking, brokerage or similar fees or expenses incurred by any Seller in connection with, resulting from or attributable to the transactions contemplated by this Agreement or otherwise;

(c) all obligations or liabilities of Sellers related to the right to or issuance of any capital stock or other equity interest of any Seller, including any stock options or warrants;

(d) any obligation or liability to distribute to any Seller ' s shareholders or otherwise apply all or any part of the consideration received hereunder;

(e) any obligation or liability of Sellers under this Agreement or any other document executed in connection herewith;

(f) all payables or other liabilities to the Persons relating to or with respect to Seller Revenue Payments as set forth in Section 2.7 below;

(g) any severance or other employment obligations (including without limitation, obligations to provide health or retirement benefits), if any, to any of Sellers' employees resulting from or arising out of the transactions contemplated by this Agreement; and

(h) any obligations or liabilities specifically identified and described on Schedule 2.4(h).

Except for the Assumed Liabilities and any and all obligations of Buyer under this Agreement and the other Transaction Documents, Buyer will not assume any other liabilities or obligations of Sellers or any Affiliate thereof of any type or nature whatsoever in connection with this Agreement or the transactions contemplated hereby.

2.5 Deemed Consents and Cure Payments. For all purposes of this Agreement (including all representations and warranties of Sellers contained herein), Sellers shall be deemed to have obtained all required consents in respect of the assignment of any Assumed Executory Contract if, and to the extent that, pursuant to the Sale Order or other Bankruptcy Court Order, Sellers are authorized to assume and assign Assumed Executory Contracts to Buyer pursuant to Section 365 of the Bankruptcy Code and any applicable Cure Payments have been satisfied by Buyer as provided herein. Notwithstanding any provision to the contrary in this Agreement, in the event the Sale Order or other Bankruptcy Court Order does not assign any Assumed Executory Contract to Buyer pursuant to Section 365 of the Bankruptcy Code, then (x) such

Contract shall not be deemed an Assumed Executory Contract or Purchased Asset, (y) no liability or obligation under such Contract shall be deemed an Assumed Liability, and (z) Buyer shall have no rights or obligations with respect to such Contract. In the event any Contract is not assigned as set forth in the immediately preceding sentence, the removal of such Contract as a Purchased Asset and Assumed Liability shall not affect any other rights or obligations of the parties hereto under this Agreement.

2.6 Cure Payments in Respect of Assumed Executory Contracts. To the extent that any Assumed Executory Contract is subject to a cure pursuant to Section 365 of the Bankruptcy Code, Buyer shall pay the amount of the Cure Payments set forth on Schedule 2.6 or such lower amount as may be determined by the Bankruptcy Court.  
Determination and Payment of Certain Receivables and Payables. »

(a) Shared Receivables and Payables. Notwithstanding any provision to the contrary in this Agreement, for purposes of facilitating the collection of Shared Receivables and the payment of any Shared Payables of Sellers, including payments to agents of Sellers, generated under Assumed Executory Contracts, (x) upon receipt of any Shared Receivables by the Buyer or any of its Affiliates, then Buyer shall pay any amounts due to Sellers, including amounts due to agents of Sellers, under Assumed Executory Contracts with respect to such Shared Receivables, including any Shared Payables, and promptly deliver to PDI, on behalf of Sellers, one-half of such Shared Receivables minus the portion of any Shared Payables or other liabilities relating to or with respect to such Shared Receivables and (y) upon receipt of any Shared Receivables by any Seller or any of their Affiliates, then Sellers shall pay any amounts due to Sellers, including amounts due to agents of Sellers, under Assumed Executory Contracts with respect to such Shared Receivables, including any Shared Payables, and promptly deliver to Buyer one-half of such Shared Receivables minus the portion of any Shared Payables or other liabilities relating to or with respect to such Shared Receivables.

(b) Pro-Rated Receivables and Payables. In the event the Closing occurs on any date other than the end of a calendar month, then (a) the portion of any revenue or receivables generated under Assumed Executory Contracts during the month in which the Closing occurs other than the receivables identified on Schedule 2.1(a)(i) (the "Pro-Rated Receivables") which shall be deemed to have been generated prior to the Closing and therefore shall be Shared Receivables and shall be determined by prorating any such Pro-Rated Receivables by the number of days in such month prior to and including the Closing Date, (b) the portion of any Pro-Rated Receivables which shall be deemed to have been generated after the Closing and therefore shall not be Shared Receivables and shall be determined by prorating any such Pro-Rated Receivables by the number of days in such month after the Closing Date, (c) the portion of any Shared Payables or other liabilities relating to or with respect to Shared Receivables and which would be deemed Shared Payables shall be determined by prorating any payables or liabilities under Assumed Executory Contracts to agents of Sellers relating to or with respect to any Pro-Rated Receivables by the number of days in such month prior to and including the Closing Date and (d) all other payables or liabilities under such Assumed Executory Contracts to agents of Sellers generated during the month in which the Closing occurs would be deemed Assumed Liabilities. Notwithstanding any provision to the contrary in this Agreement, purposes of facilitating the collection of Pro-Rated Receivables and the payment of any Shared Payables

or liabilities to agents of Sellers generated under Assumed Executory Contracts, (x) upon receipt of any Pro-Rated Receivables by the Buyer or any of its Affiliates, then Buyer shall pay any amounts due to agents under Assumed Executory Contracts with respect to such Pro-Rated Receivables and promptly deliver to PDI, on behalf of Sellers, all amounts Sellers are entitled to receive with respect to Shared Receivables pursuant to Section 2.7(a) and (y) upon receipt of any Pro-Rated Receivables by any Seller or any of their Affiliates, then Sellers shall pay any amounts due to agents under Assumed Executory Contracts with respect to such Pro-Rated Receivables and promptly deliver to Buyer all amounts Buyer is entitled to receive with respect to Shared Receivables and Payables pursuant to Section 2.7(a) plus the portion of any Pro-Rated Receivables which shall be deemed to have been generated after the Closing as determined in clause (b) above minus the portion of any payables or other liabilities which are assumed Liabilities as determined in clause (d) above . By way of example:

(i) if the Closing occurs on March 15 , 2013 and a Pro-Rated Receivable is collected by Buyer or any of its Affiliates in the amount of \$1,000,000 which is subject to a payment to an agent under an Assumed Executory Contract in the amount of \$10,000, then Buyer shall pay such agent \$10,000 and shall remit \$ 2 39,516 to PDI (i.e. one-half of \$990,000 \* 1 5 / 31); and

(ii) if such amount was collected by Seller or any of its Affiliates, then Sellers shall pay such agent \$10,000 and shall remit \$ 7 50,484 to Buyer (i. e. (a) one-half of \$990,000 \* 15 / 31 plus (b) \$990,000 \* 16 / 31) .

Buyer and Sellers shall reasonably cooperate with each other and provide each other with such information as may be reasonably requested by the other party to determine the allocation of any such receivables or liabilities and to facilitate the allocations and payments set forth in this Section 2.7.

### **ARTICLE III BASIC TRANSACTION**

3.1 Payment of Purchase Price. The aggregate purchase price for the Purchased Asset s payable at the Closing (the " Purchase Price " ) shall be amount equal to Nine Million Seven Hundred Fifty Thousand Do llars ( \$ 9,75 0,000 .00 ) , including any Deposit Amount previously paid by Buyer to Sellers .

3.2 Further Assurances. From time to time after the Closing and without further consideration, upon the request of Buyer , Sellers shall execute and deliver such documents and instruments of conveyance and transfer as Buyer may reasonably request in order to consummate more effectively the purchase and sale of the Purchased Asset s as contemplated hereby and to vest in Buyer title to the Purchased Asset s transferred hereunder, or to otherwise more fully consummate the transactions contemplated by this Agreement, and Buyer , upon the request of Sellers, shall execute and deliver such documents and instruments of contract or lease assumption as Sellers may reasonably request in order to confirm Buyer ' s liability for the obligations specifically assumed hereunder or otherwise to more fully consummate the transactions contemplated by this Agreement.

3.3 Deposit Amount. Prior to the Auction, Buyer has deposited with Dragonfly Capital on behalf of PDI an amount equal to the Deposit Amount. In the event this Agreement is terminated by PDI pursuant to Section 11.1(b) or Section 11.1(e), in addition to any other rights and remedies the Sellers may have, the Sellers shall have the right to retain and keep the Deposit Amount and Buyer shall have no further rights to the Deposit Amount or any proceeds thereon. If this Agreement is terminated for any reason other than the termination of this Agreement by PDI or the Sellers pursuant to Section 11.1(b) or Section 11.1(e), PDI shall promptly upon such termination cause the Deposit Amount to be returned to Buyer.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLERS**

4.1 Sellers' Representations and Warranties. Sellers jointly and severally represent and warrant to Buyer that the statements contained in this Article IV are correct and complete as of the date of this Agreement, except as expressly set forth in the Schedules delivered by Sellers to Buyer on the date hereof. The information disclosed in any numbered part of the Schedules shall be deemed to relate to and to qualify only the particular representation or warranty set forth in the corresponding numbered section in this Agreement and any other representation or warranty to the extent the applicability of such disclosure to such other representation and warranty is reasonably apparent on its face.

4.2 Validity of Agreement. Each Seller has full power and authority to execute and deliver the Transaction Documents to which it is a party and to consummate the transactions contemplated hereby and thereby. The board of directors (or similar governing body) of each Seller has duly approved the Transaction Documents to which such Person is a party and has duly authorized the execution and delivery of such Transaction Documents and the consummation of the transactions contemplated thereby. No other corporate or organizational proceedings on the part of any Seller are necessary to approve and authorize the execution and delivery of the Transaction Documents to which such Person is a party and the consummation of the transactions contemplated thereby. All Transaction Documents to which any Seller is a party have been duly executed and delivered by such Person, except such Transaction Documents that are required by the terms hereof to be executed and delivered by such Person after the date hereof, in which case such Transaction Documents will be duly executed and delivered by such Person at or prior to the Closing, and all Transaction Documents constitute, or will constitute, as the case may be, the valid and binding agreements of Sellers, enforceable against Sellers in accordance with their terms.

4.3 Organization, Standing and Power. Each of the Sellers is a corporation validly existing and in good standing under the laws of the state of its incorporation and, except where the failure to obtain such qualification could not reasonably be expected to have a Material Adverse Effect, is qualified to do business in every jurisdiction in which it is required to be qualified. Each Seller has full power and authority and all material licenses, Permits and authorizations necessary to own and operate its properties and to carry on the business of the Sellers as now conducted by it. No Seller is in default under or in violation of any provision of its articles of incorporation or by-laws. Subject to any necessary authorization from the Bankruptcy Court, each Seller has all requisite corporate power and authority to own, lease and

operate its properties, to carry on the business of the Sellers as now being conducted and to execute and deliver this Agreement and all agreements, instruments and other documents referred to herein, and to perform its obligations hereunder and thereunder.

4.4 No Conflicts or Violations. Except as set forth on Schedule 4.4 attached hereto, and assuming the approval of the transactions contemplated in this Agreement and the other Transaction Documents, the execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated thereby by Sellers do not and shall not result in any material breach of any of the terms, conditions or provisions of, constitute a material default under, or require any material authorization, consent, approval, exemption or other action by or notice or declaration to, or filing with, any court or administrative or other Governmental Authority, under the provisions of the articles of incorporation, by-laws or other constitutive documents of any Seller or any material Assumed Executory Contract to which any Seller is bound, or any Order to which any Seller is subject.

4.5 Subsidiaries and Affiliates. Except as set forth on Schedule 4.5, no Seller owns, of record or beneficially, any direct or indirect ownership interest in any Person (other than another Seller) or right (contingent or otherwise) to acquire any direct or indirect ownership interest in any Person (other than another Seller), nor is any Seller a member of any partnership or a participant in any joint venture or similar arrangement.

4.6 Compliance with Law. Except as set forth on Schedule 4.6, to the Knowledge of Sellers, each Seller has, in all material respects, complied with and is in material compliance with, and is not in default in any respect with, all applicable material laws, Regulations, Orders and ordinances of any Governmental Authority and no claims have been filed against any Seller since January 1, 2012 alleging a material violation of any such laws or Regulations, and no Seller has received written, or to the Knowledge of Sellers oral, notice of any such violations since January 1, 2012.

4.7 No Litigation. Except as set forth on Schedule 4.7 attached hereto and the Chapter 11 Cases, there are no material actions, suits, claims, investigations, hearings, or proceedings of any type pending (or, to the Knowledge of Sellers, threatened) instituted against any Seller challenging the legality of the transactions contemplated in this Agreement, or the title and ownership of the Purchased Assets or any Seller.

4.8 Title to Assets. Except as set forth on Schedule 4.8 attached hereto, Sellers have good and marketable title to, or a valid leasehold interest in, the Purchased Assets, free and clear of all Liens other than Permitted Liens, and has been authorized to sell such Purchased Assets at the Closing free and clear of any and all Liens other than Liens that Sellers can not sell free and clear of pursuant to Section 363(f) of the Bankruptcy Code including, without limitation, Liens set forth in clauses (xi), (xii) and (xiv) of the definition of Permitted Liens.

4.9 Brokers. No Seller has incurred any liability to any broker, finder or agent with respect to the payment of any commission regarding the consummation of the transactions contemplated hereby for which Buyer would be liable.

**ARTICLE V**  
**REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to Sellers as follows:

5.1 Organization. Buyer is a corporation validly existing and in good standing under the laws of the State of Texas and has the full power and authority to execute, deliver and perform this Agreement and to consummate all transactions contemplated hereby.

5.2 Authority. The execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of Buyer and do not and will not violate any provisions of its organizational documents, any applicable Regulation or any contract or Order binding upon it. This Agreement constitutes a valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect, and to general equitable principles.

5.3 Consents. The execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated thereby by Buyer do not and shall not (a) result in any material breach of any of the terms, conditions or provisions of, (b) constitute a material default under, or (c) require any material authorization, consent, approval, exemption or other action by or notice or declaration to, or filing with, any court or administrative or other Governmental Authority, under the provisions of the articles of incorporation, by-laws or other constitutive documents of Buyer or any material agreement or instrument to which Buyer is bound or affected, or any Order to which Buyer is subject in any manner which would adversely affect Buyer's performance under this Agreement or the consummation of the transactions contemplated hereby.

5.4 Litigation. There are no material actions, suits, legal proceedings or Orders pending or, to Buyer's knowledge, threatened against or affecting Buyer at law or in equity, in the United States or elsewhere, or before or by any arbitrator or Governmental Authority (including any material actions, suits, legal proceedings or Orders with respect to the transactions contemplated by this Agreement) which would adversely affect Buyer's performance under this Agreement or the consummation of the transactions contemplated hereby. Buyer is not subject to any Order of any Governmental Authority (or settlement enforceable therein) which would adversely affect Buyer's performance under this Agreement or the consummation of the transactions contemplated hereby. No consent, approval or authorization of any Governmental Body or any other party or Person is required to be obtained by Buyer in connection with its execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby.

5.5 Financing. Buyer has and shall have at the Closing sufficient cash, available lines of credit or other sources of immediately available funds to make payment of all amounts to be paid by it hereunder on and after the Closing Date, including adequate assurance of future

performance under any Assumed Executory Contract pursuant to Section 365 of the Bankruptcy Code .

5.6 'As Is' Transaction. BUYER HEREBY ACKNOWLEDGES AND AGREES THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NONE OF SELLERS OR ANY OF THEIR AFFILIATES MAKE ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY MATTER RELATING TO THE BUSINESS, THE PURCHASED ASSETS, (INCLUDING THE VALUE, CONDITION OR USE OF THE PURCHASED ASSETS), THE ASSUMED LIABILITIES OR OTHERWISE WITH RESPECT TO ANY INFORMATION PROVIDED TO BUYER, WHETHER ON BEHALF OF SELLERS OR THEIR AFFILIATES, INCLUDING AS TO (A) MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR USE OR PURPOSE, (B) THE OPERATION OF THE BUSINESS AFTER THE CLOSING IN ANY MANNER OR (C) THE PROBABLE SUCCESS OR PROFITABILITY OF THE OWNERSHIP, USE OR OPERATION OF THE PURCHASED ASSETS BY BUYER AFTER CLOSING. WITHOUT IN ANY WAY LIMITING THE FOREGOING, SELLERS HEREBY DISCLAIM ANY WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AS TO ANY PORTION OF THE PURCHASED ASSETS. BUYER FURTHER ACKNOWLEDGES THAT BUYER HAS CONDUCTED AN INDEPENDENT INSPECTION AND INVESTIGATION OF THE PHYSICAL CONDITION OF THE PURCHASED ASSETS AND ALL SUCH OTHER MATTERS RELATING TO OR AFFECTING THE PURCHASED ASSETS AS PURCHASER DEEMED NECESSARY OR APPROPRIATE . EXCEPT FOR ANY REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH HEREIN, BUYER WILL ACCEPT THE PURCHASED ASSETS AT THE CLOSING "AS IS", "WHERE IS", AND WITH ALL FAULTS.

## **ARTICLE VI COVENANTS OF SELLERS AND BUYER ; OTHER AGREEMENTS**

### 6.1 Consents and Approvals ; Cooperation .

(a) Sellers and Buyer shall cooperate and use commercially reasonable efforts to obtain all necessary consents and approvals to consummate the purchase and sale of the Purchased Assets and the assignment of the Assumed Liabilities .

(b) Each of the parties shall file any notifications required to be filed with, and use reasonable best efforts to obtain any other authorizations, consents and approvals of, any Governmental Authority in connection with the matters contemplated by this Agreement.

(c) Each party hereto shall use commercially reasonable good faith efforts to assist the other parties hereto and cooperate with their respective legal counsel and accountants in connection with any steps required to be taken as part of their respective obligations under this Agreement, and all parties hereto shall use their commercially reasonable good faith efforts to consummate the transactions contemplated herein and to fulfill their obligations hereunder. Each of Buyer and Sellers agree to use their commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper, or advisable to

satisfy the conditions to the obligations of the other parties hereto to consummate and make effective the transactions contemplated by this Agreement; provided, however, that nothing contained herein shall represent a covenant or guaranty of approval, completion or success with respect to any or all such procedures.

## 6.2 Access to Information and Facilities .

(a) Sellers agree that, prior to the Closing Date, Buyer and its representatives shall, upon reasonable notice and so long as such access does not unreasonably interfere with the business operations of any Seller, have reasonable access during normal business hours to Seller ' s books and r ecords primarily relating to the Purchased Assets and Assumed Executory Contracts, and shall be provided with the opportunity to discuss the Purchased Assets, the Assumed Executory Contracts and the business conducted by the Sellers with senior management of the Sellers . F rom the Closing Date until the earlier of the third anniversary of the Closing Date and the date that Sellers have wound down their operations and been dissolved, Buyer and its representatives shall, upon reasonable notice and so long as such access does not unreasonably interfere with the business operations of any Seller, have reasonable access during normal business hours to Seller's books and records primarily relating to the Purchased Assets and Assumed Executory Contracts, Notwithstanding the foregoing, (x) the Seller s will have no obligation to provide access to any Books or Records or any other information to the extent such access would be restricted or prohibited by any law, statute, rule, Regulation, ordinance, C ontract or otherwise or to the extent any of the Seller s ha ve determined that such disclosure or access could jeopardize attorney-client or similar privilege and (y) Sellers will not be required to provide Buyer with access to any Persons (including any customers, suppliers, employees or other business relations) without participation in any such meetings or calls by Sellers or their representatives .

(b) The Buyer acknowledges that the Buyer remains bound by the Confidentiality Agreement.

6.3 Conduct of the Business Pending the Closing . Except as otherwise expressly contemplated by this Agreement or with the prior written consent of Buyer (which consent shall not be unreasonably withheld, delayed or conditioned) or except as described on Schedule 6.3 attached hereto, from the date hereof until the Closing Date, none of the Sellers shall :

(a) amend or modify their articles of incorporation, bylaws or constitutive documents or make any changes in its authorized capital stock in a manner that would impact the Sellers ' ability to consummate the transactions contemplated by this Agreement ;

(b) issue or sell any shares of its capital stock or any securities convertible into or exchangeable for its capital stock in a manner that would impact the Sellers ' ability to consummate the transactions contemplated by this Agreement;

(c) form or create any Subsidiary;

(d) purchase or otherwise acquire for consideration any outstanding shares of its capital stock or the capital stock of any other entity in a manner that would impact the Sellers ' ability to consummate the transactions contemplated by this Agreement;

(e) declare, pay or set aside with respect to its capital stock any dividend or other distribution or payment in a manner that would impact the Sellers ' ability to consummate the transactions contemplated by this Agreement;

(f) engage in any transactions with Affiliates (other than Sellers or any of their Subsidiaries) other than in the Ordinary Course of Business;

(g) sell or dispose of any Purchased Assets other than the sale or disposition of Purchased Assets in the Ordinary Course of Business or the sale of Purchased Assets pursuant to an Acquisition Proposal approved by the Bankruptcy Court;

(h) intentionally incur any Liens on the Purchased Assets other than Permitted Liens;

(i) intentionally terminate or compromise, waive, amend or impair in any respect any of the Assumed Executory Contracts or intentionally omit to take action which would reasonably be expected to result in a termination, waiver, amendment or impairment of any of the Assumed Executory Contracts ;

(j) incur any indebtedness which would reasonably be expected to have a Material Adverse Effect or intentionally take any action which Sellers would reasonably expect would cause a Material Adverse Effect; or

(k) fail to maintain the books and records of any of the Sellers primarily related to the Purchased Assets in the Ordinary Course of Business .

Buyer and DPI will provide prompt written notice to the other party hereto in the event such party receives actual knowledge that any Assumed Executory Contract has been terminated or amended or any rights with respect to any such Contract have been impaired in any material respect.

#### 6.4 Best Efforts ; Further Assurances .

(a) Intentionally Omitted .

(b) Sellers and Buyer shall execute such documents and use their reasonable best efforts to take or cause to be taken all actions and do or cause to be done all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement . Sellers and Buyer shall use commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions set forth in Article VIII and Article IX , respectively, of this Agreement.

6.5 Bank Accounts. Sellers shall use commercially reasonable efforts to transfer the Bank Accounts to Buyer at or prior to Closing (provided that any Cash would remain an Excluded Asset). Notwithstanding the foregoing, in the event Sellers are unable to transfer the Bank Accounts to Buyer, such Bank Accounts will be Excluded Assets and shall not be Purchased Assets. The bank account numbers for the Bank Accounts are confidential information of Sellers and are governed by the Confidentiality Agreement. In the event any one or all of the Bank Accounts are not transferred to Buyer, then Buyer and Seller shall cooperate to ensure that any of Buyer's Cash which is inadvertently transferred into such Bank Accounts will be paid to Buyer.

6.6 Intentionally Omitted.

6.7 Excluded Assets. Subsequent to the Closing, each Seller jointly and severally agrees to indemnify and hold Buyer harmless with respect to the Excluded Assets and Excluded Liabilities, including any loss, liability, cost or expense (including legal fees and expenses and court costs) arising out of or in connection with, or otherwise relating to, the Excluded Assets and Excluded Liabilities.

6.8 Taxes.

(a) On or prior to the Closing (or after the Closing and when due and payable, to the extent such Taxes are not due and payable as of the Closing), Sellers shall pay all Taxes attributable to the Pre-Closing Tax Period, including all sales taxes, use taxes and payroll Taxes which will be owed by Sellers and attributable to the Pre-Closing Tax Period; provided however, Sellers shall not be obligated to pay any such Tax that is disputed in good faith by any Seller.

(b) All transfer, documentary, sales, use, registration, value-added and other similar taxes and related fees (including, without limitation, any penalties, interest and additions to taxes) (collectively, "Transfer Taxes") imposed by any Governmental Authority in any jurisdiction in connection with the transaction contemplated herein or in connection with this Agreement, including the sale of the Purchased Assets or the assumption of the Assumed Liabilities, to the extent not exempt under Section 1146(a) of the Bankruptcy Code shall be paid by Buyer. PDI and Buyer shall cooperate in timely making all filings, returns, reports and forms as may be required to comply with the provisions of all laws relating to such Transfer Taxes, and to the extent any exemptions from such Transfer Taxes are available, Sellers shall use commercially reasonable good faith business efforts to cooperate with Buyer in the preparation of any certificates or other documents necessary to claim such exemptions.

## **ARTICLE VIII COVENANTS OF BUYER**

7.1 Assumed Liabilities. Subsequent to the Closing, Buyer agrees to be responsible for the payment and performance of the Assumed Liabilities and shall indemnify and hold Sellers harmless with respect to the Assumed Liabilities, including any loss, liability, cost or expense (including legal fees and expenses and court costs) arising out of or in connection with, or otherwise relating to, the Assumed Liabilities.

7.2 Post-Closing Access to Information. From the Closing Date until the earlier of the third anniversary of the Closing Date and the date that Sellers have wound down their operations and been dissolved, Sellers and their representatives shall, upon reasonable notice and so long as such access does not unreasonably interfere with the business operations of Buyer, have reasonable access during normal business hours to Buyer's books and records primarily relating to the Purchased Assets and Assumed Liabilities, and to the extent in Buyer's possession or control, relating to any Excluded Assets, Excluded Liabilities or pre-Closing business operations of Sellers. Notwithstanding the foregoing, Buyer will have no obligation to provide access to any Books or Records or any other information to the extent such access would be restricted or prohibited by any law, statute, rule, Regulation, ordinance, Contract or otherwise or to the extent Buyer has determined that such disclosure or access could jeopardize attorney-client or similar privilege.

7.3 Release of Certain Deposits. Without limiting any provision in this Agreement, the parties hereto agree that Sellers' deposit with First Data Corporation and its Affiliates in the amount of approximately \$222,750 is an Excluded Asset. Promptly after the Closing (but no later than 30 days thereof), Buyer shall take all actions necessary in order to have such deposit released in full to Sellers or, at its option, Buyer shall pay Sellers the full amount of such deposit and Buyer shall thereafter retain all rights to such deposit if and when it is released by First Data Corporation.

7.4 Further Assurances. Buyer shall execute such documents and take such further actions as may be reasonably required to carry out the provisions of this Agreement and the transactions contemplated hereby. Buyer shall use commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions set forth in Article IX of this Agreement.

## **ARTICLE VIII CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER**

The obligations of Buyer under this Agreement are, at the option of Buyer, subject to satisfaction of the following conditions precedent on or before the Closing Date.

### 8.1 Warranties True as of Both Present Date and Closing Date; Covenants.

(a) Each of the representations and warranties of Sellers contained herein shall be true and correct in all material respects on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct in all material respects as of that date) with the same force and effect as though made on and as of the Closing Date except that those representations and warranties that are qualified by materiality, Material Adverse Effect, or similar phrase shall be true and correct in all respects.

(b) Sellers shall have performed and complied in all material respects with the obligations and covenants required by this Agreement to be performed or complied with by Sellers on or prior to the Closing Date.

8.2 Intentionally Omitted .

8.3 Intentionally Omitted .

8.4 No Injunction s . No preliminary or permanent injunction or other order of any Governmental Authority of competent jurisdiction restraining or prohibiting the consummation of the transactions contemplated hereby shall be in place on the Closing Date .

8.5 Closing Deliveries . Sellers shall have delivered to Buyer (i) a certificate signed by each Seller, dated the date of the Closing Date, (in form and substance reasonably satisfactory to Buyer ) certifying that the conditions specified in Sections 8.1 have been satisfied as of the Closing; (ii ) all of the closing deliveries set forth in Section 10.2 ; and (iii ) such other documents or instruments as are required to be delivered by any Seller at the Closing pursuant to the terms hereof in form and substance reasonably satisfactory to Buyer and its counsel .

## **ARTICLE IX CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS**

The obligations of Sellers under this Agreement are, at the option of Sellers, subject to the satisfaction of the following conditions precedent on or before the Closing Date.

9.1 Warranties True as of Both Present Date and Closing Date . The representations and warranties of Buyer contained herein shall be true and correct in all material respects on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct in all material respects as of that date) with the same force and effect as though made by Buyer on and as of the Closing Date, except those qualified by materiality shall be true and correct in all respects. Buyer shall have performed and complied in all material respects with the obligations and covenants required by this Agreement to be performed or complied with by Buyer on or prior to the Closing Date.

9.2 Intentionally Omitted .

9.3 No Injunctions . No preliminary or permanent injunction or other order of any Governmental Authority of competent jurisdiction restraining or prohibiting the consummation of the transactions contemplated hereby shall be in place on the Closing Date.

9.4 Consideration . Buyer shall have delivered to Sellers the Purchase Price.

9.5 Closing Deliveries . Buyer shall have delivered to Sellers (i) a certificate signed by Buyer , dated the date of the Closing (in form and substance reasonably satisfactory to Sellers) certifying that the conditions specified in Section 9.1 above have been satisfied as of the Closing; (ii) certified copies of the resolutions of Buyer ' s board of directors authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby and the consummation of the transactions contemplated hereby and thereby; (iii) all of the closing deliveries set forth in Section 10.3 ; and (iv) such other documents or instruments as are required

to be delivered by Buyer at the Closing pursuant to the terms hereof in form and substance reasonably satisfactory to Sellers and their counsel .

## **ARTICLE X CLOSING**

10.1 Closing. Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, the closing of the transaction contemplated by this Agreement (the " Closing " ) will take place at the offices of Kirkland & Ellis, 200 East Randolph Drive, Chicago, IL 60601 at 10:00 A.M. Central Standard Time on Friday, March 15, 2013 ; or on such other date or place as Buyer and PDI may determine (the " Closing Date " ).

10.2 Deliveries by Sellers. At the Closing, Sellers shall deliver or procure delivery to Buyer of:

(a) physical possession of all of the Purchased Asset s capable of passing by delivery with the intent that title in such Purchased Asset s shall pass by and upon delivery;

(b) the Bill of Sale in the form of Exhibit C attached hereto (the " Bill of Sale "), duly executed by Sellers;

(c) the Assumption Agreement in the form of Exhibit D attached hereto (the " Assumption Agreement " ) , duly executed by Sellers;

(d) the Trademark Assignment in the form of Exhibit E attached hereto (the " Trademark Assignment "), duly executed by PDI and AI ;

(e) a list of merchants which have been active within two hundred seventy days prior to Closing who are entitled to a portion of the Cash Merchant Reserves as of a recent date;

(f) such other instruments as are necessary to vest in Buyer good and marketable title in and to the Purchased Asset s in accor dance with the provisions hereof ; and

(g) Bank statements of Sellers for the months ended December 31, 2012 and January 31, 2013 and each of the following reports of Sellers to the extent prepared in the ordinary course of business consistent with past practices for the month ended December 31, 2012 and, if available, for the months ending January 31, 2013 and February 28, 2013: gross margin report, loss report, rolling reserve reports (including reserves held, settlement funds and rolling r eserves), and processor reports .

At or promptly after Closing, Sellers shall deliver or cause to be delivered to Buyer copies of all Assumed Contracts with merchants.

10.3 Deliveries by Buyer. At the Closing, Buyer will deliver to Sellers (A) the Assumption Agreement duly executed by Buyer , and (B) the Purchase Price .

10.4 Form of Instruments . To the extent that a form of any document to be delivered hereunder is not attached as an Exhibit hereto, such documents shall be in form and substance, and shall be executed and delivered in a manner, reasonably satisfactory to Buyer and PDI .

## **ARTICLE XI TERMINATION; TERMINATION PAYMENT**

11.1 Termination . This Agreement may be terminated prior to the Closing as follows:

(a) by mutual written agreement of Buyer and PDI ;

(b) by either Buyer or PDI (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein), if there shall have been a material breach or misrepresentation of any of the representations or warranties or a material breach of any of the covenants set forth in this Agreement on the part of the other party, which breach , to the extent curable, is not cured within ten (10) days following written notice to the party committing such breach or which breach, by its nature, cannot be cured prior to the Closing ;

(c) by Buyer (provided that Buyer is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if it shall have reasonably determined that one or more conditions set forth in Section 8.1 has not been or cannot be fulfilled or satisfied prior to the date specified in such condition (if such condition specifies a date other than the Closing Date by which such condition must be satisfied).

(d) Intentionally omitted ;

(e) by PDI (provided that no Seller is then in material breach of any representation, warranty, covenant or other agreement contained herein) if it shall have reasonably determined that one or more conditions set forth in Article IX has not been or cannot be fulfilled or satisfied prior to the date specified in such condition (if such condition specifies a date other than the Closing Date by which such condition must be satisfied) ; or

(f) by either (i) PDI (provided that PDI is not then in material breach of any representation, warranty, covenant or other agreement of PDI contained herein), if the Closing has not occurred on or prior to Friday, March 15, 2013 or (ii) Buyer (provided that Buyer is not then in material breach of any representation, warranty, covenant or other agreement of Buyer contained herein), if the Closing has not occurred on or prior to Monday, April 1, 2013 .

11.2 Intentionally Omitted .

11.3 Effect of Termination or Breach . If the transactions contemplated hereby are not consummated (a) this Agreement shall become null and void and of no further force and effect, except (i) for this Section 11.3 (Effect of Termination or Breach), (ii) for the provisions of Sections 3.3 ( Deposit Amount ) , 13.1 (Expenses), 13.7 (Submission to Jurisdiction), 13.8 (Governing Law), 13.9 (Binding Nature; Assignment), 13.10 (No Third Party Beneficiaries) and

13.11 (Construction) hereof, and (iii) that the termination of this Agreement for any cause shall not relieve any party hereto from any liability which at the time of termination had already accrued to any other party hereto or which thereafter may accrue in respect of any act or omission of such party prior to such termination. Without limiting the foregoing, nothing in this agreement shall relieve Buyer from its obligations to deliver the Purchase Price if all of the conditions set forth in Article VIII (other than those to be satisfied at the Closing itself) have been satisfied. In the event this Agreement is terminated by PDI pursuant to Section 11.1(b) or Section 11.1(e), then in addition to any other rights and remedies the Sellers may have, the Sellers shall have the right to retain and keep the Deposit Amount and Buyer shall have no further rights to the Deposit Amount or any proceeds thereon.

## **ARTICLE XII ADDITIONAL POST-CLOSING COVENANTS**

12.1 Employees. Immediately prior to or after the Closing, Buyer shall be entitled to make offers of employment to certain employees of Sellers as mutually determined by Buyer and Seller. The number of offers of employment made by Buyer, and the terms and conditions of such offers, shall be determined by Buyer in accordance with applicable law. The parties hereto acknowledge and agree that Buyer shall have no obligation to offer employment to any officer or employee of Sellers.

12.2 Joint Post-Closing Covenant of Buyer and Sellers. Buyer and Sellers jointly covenant and agree that, from and after the Closing Date, Buyer and Sellers will each use commercially reasonable efforts to cooperate with each other in connection with any action, suit, proceeding, investigation or audit of the other relating to (a) the preparation of an audit of any Tax Return of any Seller or Buyer for all periods prior to or including the Closing Date and (b) any audit of Buyer and/or any audit of any Seller with respect to the sales, transfer and similar Taxes imposed by the laws of any state or political subdivision thereof, relating to the transactions contemplated by this Agreement. In furtherance hereof, Buyer and Sellers further covenant and agree to promptly respond to all reasonable inquiries related to such matters and to provide, to the extent reasonably possible, substantiation of transactions and to make available and furnish appropriate documents and personnel in connection therewith. All costs and expenses incurred in connection with this Section 12.2 referred to herein shall be borne by the party who is subject to such action.

12.3 Collections. Buyer shall promptly deliver to Sellers any Cash, checks or other property that Buyer may receive after the Closing in respect of any accounts receivable or other asset constituting Excluded Assets.

12.4 Tax Matters. The parties hereto agree that, prior to the Closing Date, they or their representatives shall in good faith allocate the Purchase Price among the Purchased Assets in Purchased Assets in conformity with Section 1060(b) of the Internal Revenue Code of 1986, as amended (the "Tax Code") and the regulations promulgated thereunder. Sellers agree to cooperate in good faith in filing all information required by Section 1060(b) of the Tax Code and the regulations thereunder, and to take no position on any income tax return, report or filing inconsistent with, such allocation.

## ARTICLE XIII MISCELLANEOUS

### 13.1 Expenses.

(a) Unless expressly set forth in this Agreement, each party hereto shall bear its own costs and expenses, including attorneys' fees, with respect to the transactions contemplated hereby. Without limiting the foregoing, unless otherwise set forth in this Agreement, all expenses incurred by Buyer in connection with the authorization, preparation, execution, and performance of this Agreement, including, without limitation, all fees and expenses of agents, representatives, counsel, and accountants for Buyer, shall be obligations of Buyer and all expenses incurred by any Seller in connection with the authorization, preparation, execution, and performance of this Agreement, including, without limitation, all fees and expenses of agents, representatives, counsel, and accountants for Sellers, and any and all costs of Seller associated with any of the Sellers' transfer of the Purchased Assets to Buyer (including, without limitation, any and all termination or compensation costs of any Seller to its employees, officers, directors, agents and consultants, such as severance payment obligations, as a result of the consummation of the transactions contemplated under the Transaction Documents), shall be obligations of Sellers. Notwithstanding the foregoing, in the event of any action or proceeding to interpret or enforce this Agreement, the prevailing party in such action or proceeding (i.e., the party who, in light of the issues contested or determined in the action or proceeding, was more successful) shall be entitled to have and recover from the non-prevailing party such costs and expenses (including all court costs and reasonable attorneys' fees) as the prevailing party may incur in the pursuit or defense thereof.

(b) The parties hereto agree that if any claims for commissions, fees or other compensation, including brokerage fees, finder's fees, or commissions are ever asserted against Buyer or Sellers in connection with this transaction, all such claims shall be handled and paid by the party whose actions form the basis of such claim and such party shall indemnify (with counsel reasonably satisfactory to the party(ies) entitled to indemnification) and hold the other harmless from and against any and all such claims or demands asserted by any Person, firm or corporation in connection with the transaction contemplated hereby.

13.2 Amendment. This Agreement may not be amended, modified or supplemented except by a written instrument signed by PDI (on behalf of itself and Sellers) and Buyer .

13.3 Notices. All notices, requests, demands and other communications permitted or required to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed conclusively to have been given (i) when personally delivered, (ii) when sent by facsimile (with hard copy to follow) during a business day (or on the next business day if sent after the close of normal business hours or on any non-business day), (iii) when sent by electronic mail (with hard copy to follow) during a business day (or on the next business day if sent after the close of normal business hours or on any non-business day), (iv) one (1) business day after being sent by reputable overnight express courier (charges prepaid), or (v) three (3) business day following mailing by certified or registered mail, postage prepaid and

return receipt requested. Unless another address is specified in writing, notices, requests, demands and communications to the parties shall be sent to the addresses indicated below:

To Sellers: Pipeline Data Inc.  
c/o Cynergy Data, L LC  
30-30 47th Avenue, 9th Floor  
Long Island City, New York  
11101  
Attn: Sheila Corvino, CLO  
Fax: (917) 376-2561  
E-mail:  
sheilac@cynergydata.com

with a copy to: Kirkland & Ellis LLP  
300 North LaSalle Street  
Chicago, Illinois 60654  
Attn: Jeffrey A. Fine, P.C.  
Fax: (312) 862-2200  
E-mail: jfine@kirkland.com

To Buyer, to: Calpian, Inc.  
500 N Akard St., Suite 2850  
Dallas, Texas 75201  
Attn: Harold H.  
Montgomery  
Fax: (214) 758-8602  
Email:  
HaroldMontgomery@calpian.com

With a copy to: Andrews Kurth LLP  
1717 Main Street, Suite 3700  
Dallas, Texas 75201  
Attn: Monica S. Blacker, Esq.  
and Quentin Faust, Esq.  
Fax: (214) 659-4401  
E-  
mail: mblacker@andrewskurth.com and  
quentinfaust@andrewskurth.com

13.4 Waivers. The failure of a party hereto at any time or times to require performance of any provision hereof shall in no manner affect its right at a later time to enforce the same. No waiver by a party of any condition or of any breach of any term, covenant, representation or warranty contained in this Agreement shall be effective unless in writing by PDI, in the case of a waiver by any Seller, or Buyer, in the case of any waiver by Buyer, and no waiver in any one or more instances shall be deemed to be a further or continuing waiver of any such condition or breach of other instances or a waiver of any other condition or breach of any other term, covenant, representation or warranty.

13.5 Electronic Delivery; Counterparts. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, may be executed in one or more counterparts, all of which shall constitute one and the



same instrument. Any such counterpart, to the extent delivered by means of a facsimile machine or by .pdf, .tif, .gif, .peg or similar attachment to electronic mail (any such delivery, an " Electronic Delivery " ) shall be treated in all manner and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto, each other party hereto or thereto shall re-execute the original form of this Agreement and deliver such form to all other parties. No party hereto shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

13.6 Headings. The headings preceding the text of the Articles and Sections of this Agreement and the Exhibits and the Schedules are for convenience only and shall not be deemed part of this Agreement.

13.7 Submission to Jurisdiction. THE PARTIES HEREBY AGREE THAT ANY AND ALL CLAIMS, ACTIONS, CAUSES OF ACTION, SUITS, AND PROCEEDINGS RELATING TO THIS AGREEMENT OR THE OTHER AGREEMENTS CONTEMPLATED HEREIN SHALL BE FILED AND MAINTAINED ONLY IN THE BANKRUPTCY COURT, AND THE PARTIES HEREBY CONSENT TO THE JURISDICTION OF SUCH COURT.

13.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (regardless of the laws that might otherwise govern under applicable Delaware principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.

13.9 Binding Nature; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without prior written consent of the other parties (which shall not be unreasonably withheld or delayed); except (i) the rights and interests of Sellers hereunder may be assigned to a trustee appointed under Chapter 11 or Chapter 7 of the Bankruptcy Code; (ii) this Agreement may be assigned to any entity appointed as a successor to Sellers pursuant to a confirmed Chapter 11 plan; (iii) Buyer may assign its rights and obligations under this Agreement to any wholly owned subsidiary of Buyer provided that such assignment will not relieve Buyer from any of its obligations or liabilities under this Agreement or any of the other Transaction Documents, and (iv ) as otherwise expressly provided in this Agreement.

13.10 No Third Party Beneficiaries. This Agreement is solely for the benefit of the parties hereto and nothing contained herein, express or implied, is intended to confer on any Person other than the parties hereto or their successors and permitted assigns, any rights, remedies, obligations, Claims, or causes of action under or by reason of this Agreement.

13.11 Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to this Agreement to express their mutual intent, and no rule of strict construction shall be applied against any party. Any reference to any federal, state, local or

foreign statute or law shall be deemed also to refer to all rules and Regulations promulgated thereunder, unless the context requires otherwise.

13.12 Public Announcements. Except as required by law, including Buyer's obligation to make timely disclosure of this Agreement and the transactions contemplated hereunder in the public reports it files with the Securities and Exchange Commission, or in connection with the Chapter 11 Cases, neither Sellers nor Buyer shall issue any press release or public announcement concerning this Agreement or the transactions contemplated hereby without obtaining the prior written approval of the other parties hereto relating to the contents and manner of presentation and publication thereof, which approval will not be unreasonably withheld, delayed or conditioned. Prior to making any public disclosure required by applicable law, the disclosing parties shall give the other party a copy of the proposed disclosure and reasonable opportunity to comment on the same.

13.13 Entire Understanding. This Agreement, the Exhibits and the Schedules and the documents referred to herein (including the Confidentiality Agreement) set forth the entire agreement and understanding of the parties hereto in respect to the transactions contemplated hereby and supersede all prior agreements, arrangements and understandings relating to the subject matter hereof, and are not intended to confer upon any other Person any rights or remedies hereunder.

13.14 Closing Actions. All deliveries, payments and other transactions and documents relating to the Closing shall be interdependent, and none shall be effective unless and until all are effective (except to the extent that the party entitled to the benefit thereof has waived satisfaction or performance thereof as a condition precedent to the Closing).

13.15 Conflict Between Transaction Documents. The parties hereto agree and acknowledge that to the extent any terms and provisions of this Agreement are in any way inconsistent with or in conflict with any term, condition or provision of any other agreement or document referred to herein, this Agreement shall govern and control.

13.16 No Survival. The representations and warranties of Sellers and Buyer contained in this Agreement or in any instrument delivered in connection herewith shall not survive the Closing.

\* \* \* \*

IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be executed and delivered on the date first above written.

**BUYER:**

CALPIAN, INC .

By: /s/ Craig A. Jessen  
Name: Craig A. Jessen  
Its: President

**SELLERS:**

PIPELINE DATA INC.

By: /s/ Thomas W. Tesmer  
Name: Thomas W. Tesmer  
Title: President

SECUREPAY.COM INC.

By: /s/ Thomas W. Tesmer  
Name: Thomas W. Tesmer  
Title: President

NORTHERN MERCHANT SERVICES INC.

By: /s/ Thomas W. Tesmer  
Name: Thomas W. Tesmer  
Title: President

PIPELINE DATA PROCESSING INC.

By: /s/ Thomas W. Tesmer  
Name: Thomas W. Tesmer  
Title: President

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PIPELINE DATA PORTFOLIO ACQUISITIONS INC .

By: /s/ Thomas W. Tesmer  
Name: Thomas W. Tesmer  
Title: President

AIRCHARGE INC.

By: /s/ Thomas W. Tesmer  
Name: Thomas W. Tesmer  
Title: President

PAYPIPE INC.

By: /s/ Thomas W. Tesmer  
Name: Thomas W. Tesmer  
Title: President

PAYNET SYSTEMS INC.

By: /s/ Thomas W. Tesmer  
Name: Thomas W. Tesmer  
Title: President

PAYPASSAGE INC.

By: /s/ Thomas W. Tesmer  
Name: Thomas W. Tesmer  
Title: President

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VALADATA INC.

By: /s/ Thomas W. Tesmer  
Name: Thomas W. Tesmer  
Title: President

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# *DNP* FINANCIAL, LLC

## INDEPENDENT CONTRACTOR'S AGREEMENT

### AMENDMENT #2

WHEREAS, Company and DNP Financial Strategies entered into that certain INDEPENDENT CONTRACTOR'S AGREEMENT effective April 23, 2010 (the "Agreement"), as Amended effective February 1, 2011, and as assigned to DNP Financial, LLC effective September 29, 2011,

WHEREAS, the scope and complexity of the Company's operations have increased extensively since the Agreement was previously Amended, and

WHEREAS, Company wishes to retain the ongoing services of Advisor,

NOW, THEREFORE, the parties mutually agree to amend the Independent Contractor's Agreement, as amended, as follows:

Section 2 of Amendment 1 to the Agreement effective February 1, 2011, is hereby further amended to provide an increase in compensation to Advisor to \$25,000 per month, plus an annual award of not less than 200,000 common shares, options, or a combination thereof at the discretion of Advisor, on each anniversary date of the original INDEPENDANT CONTRACTORS AGREEMENT made effective April 23, 2010. This modification is effective February 1, 2013.

All other terms, conditions, rights, and responsibilities contained in the Independent Contractor's Agreement effective April 23, 2010, as amended and assigned, remain unchanged.

DNP Financial, LLC

Calpian, Inc.

By: /s/ David N. Pilotte  
David N. Pilotte, Principal

By: /s/ Harold H. Montgomery  
Harold H. Montgomery  
Effective Date January 25 , 2013



## CODE OF BUSINESS CONDUCT AND ETHICS

### SCOPE

This Code of Business Conduct and Ethics applies to all directors, officers and employees of Calpian, Inc. (the “Company”), as well as to directors, officers and employees of each subsidiary of Calpian, Inc. Such directors, officers and employees are referred to herein collectively as the “Covered Parties.” Calpian, Inc. and its subsidiaries are referred to herein collectively as the “Company.”

### PURPOSE.

The Company is proud of the values with which it conducts business. It has and will continue to uphold the highest levels of business ethics and personal integrity in all types of transactions and interactions. To this end, this Code of Business Conduct and Ethics serves to (1) emphasize the Company’s commitment to ethics and compliance with the law; (2) set forth basic standards of ethical and legal behavior; (3) provide reporting mechanisms for known or suspected ethical or legal violations; and (4) help prevent and detect wrongdoing.

Given the variety and complexity of ethical questions that may arise in the course of the Company’s business, this Code of Business Conduct and Ethics can serve only as a rough guide. Confronted with ethically ambiguous situations, the Covered Parties should remember the Company’s commitment to the highest ethical standards and seek advice from supervisors, managers or other appropriate personnel to ensure that all actions they take on behalf of the Company honor this commitment.

### ETHICAL STANDARDS

1. Conflicts of Interest. A conflict of interest exists when a person’s private interest interferes in any way with the interests of the Company. A conflict can arise when a Covered Party takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest may also arise when a Covered Party, or members of his or her family, receives improper personal benefits as a result of his or her position at the Company. Loans to, or guarantees of obligations of, Covered Parties and their family members may create conflicts of interest. It is almost always a conflict of interest for a Covered Party to work simultaneously for a competitor, customer or supplier.

Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with your supervisor or manager or, if circumstances warrant, the Chief Financial Officer or Chief Legal Officer of the Company. Any Covered Party who becomes aware of a conflict or potential

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conflict should bring it to the attention of a supervisor, manager or other appropriate personnel or consult the procedures described in Violations of Ethical Standards below.

All directors and executive officers of the Company or its subsidiaries shall disclose any material transaction or relationship that reasonably could be expected to give rise to such a conflict to the Company's Chief Financial Officer . No action may be taken with respect to such transaction or party unless and until such action has been approved by the Chief Financial Officer .

2. Corporate Opportunities . Covered Parties are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information or position without the consent of the Board of Directors of the Company. No Covered Party may use corporate property, information or position for improper personal gain and no employee may compete with the Company directly or indirectly. Covered Parties owe a duty to the Company to advance its legitimate interests whenever possible.

3. Fair Dealing . Covered Parties shall behave honestly and ethically at all times and with all people. They shall act in good faith, with due care, and shall engage only in fair and open competition, by treating ethically competitors, suppliers, customers, and colleagues. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. No Covered Party should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered or accepted by a Covered Party or any family member of a Covered Party unless it (1) is consistent with customary business practices, (2) is not excessive in value, (3) cannot be construed as a bribe or payoff and (4) does not violate any laws or regulations. The offer or acceptance of cash gifts by any Covered Party is prohibited. Covered Parties should discuss with their supervisors, managers or other appropriate personnel any gifts or proposed gifts which they think may be inappropriate.

4. Insider Trading . Covered Parties who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of the Company's business. All non-public information about the Company should be considered confidential information. It is always illegal to trade in the Company's securities while in possession of material, non-public information, and it is also illegal to communicate or "tip" such information to others.

5. Confidentiality . Covered Parties must maintain the confidentiality of confidential information entrusted to them, except when disclosure is authorized by an appropriate legal officer of the Company or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors or harmful to the Company or its customers if disclosed. It also includes information that suppliers and customers have entrusted to the Company. The obligation to preserve confidential information continues even after employment ends.



6. Protection and Proper Use of Company Assets. All Covered Parties should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. The Company's equipment should not be used for non-Company business, though incidental personal use is permitted.

The obligation of Covered Parties to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy. It could also be illegal and result in civil or criminal penalties.

7. Compliance with Laws, Rules and Regulations. Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. In conducting the business of the Company, the Covered Parties shall comply with applicable governmental laws, rules and regulations at all levels of government in the United States and in any non-U.S. jurisdiction in which the Company does business. Although not all Covered Parties are expected to know the details of these laws, it is important to know enough about the applicable local, state and national laws to determine when to seek advice from supervisors, managers or other appropriate personnel.

8. Timely and Truthful Public Disclosure. In reports and documents filed with or submitted to the Securities and Exchange Commission and other regulators by the Company, and in other public communications made by the Company, the Covered Parties involved in the preparation of such reports and documents (including those who are involved in the preparation of financial or other reports and the information included in such reports and documents) shall make disclosures that are full, fair, accurate, timely and understandable. Where applicable, these Covered Parties shall provide thorough and accurate financial and accounting data for inclusion in such disclosures. They shall not knowingly conceal or falsify information, misrepresent material facts or omit material facts necessary to avoid misleading the Company's independent public auditors or investors.

9. Significant Accounting Deficiencies. The Chief Executive Officer and each senior financial officer shall promptly bring to the attention of the Chief Financial Officer any information he or she may have concerning (a) significant deficiencies in the design or operation of internal control over financial reporting which could adversely affect the Company's ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal control over financial reporting.

### **WAIVERS**

Any waiver of this Code for executive officers or directors may be made only by the Company's Board of Directors or its Chief Financial Officer and will be promptly disclosed as required by law or stock exchange regulation.

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## **VIOLATIONS OF ETHICAL STANDARDS**

1. **Reporting Known or Suspected Violations**. All Covered Parties shall promptly report any known or suspected violations of this Code to the Chairman or the Company's Chief Financial Officer. No retaliatory action of any kind will be permitted against anyone making such a report in good faith, and the Company's Chief Financial Officer will strictly enforce this prohibition.

2. **Accountability for Violations**. If the Company's Chief Financial Officer or its designee determines that this Code has been violated, either directly, by failure to report a violation, or by withholding information related to a violation, the offending Covered Party may be disciplined for non-compliance with penalties up to and including removal from office or dismissal. Such penalties may include written notices to the individual involved that a violation has been determined, censure by the Chief Financial Officer, demotion or re-assignment of the individual involved and suspension with or without pay or benefits. Violations of this Code may also constitute violations of law and may result in criminal penalties and civil liabilities for the offending Covered Party and the Company. All Covered Parties are expected to cooperate in internal investigations of misconduct.

## **COMPLIANCE PROCEDURES**

We must all work together to ensure prompt and consistent action against violations of this Code. In some situations, however, it is difficult to know if a violation has occurred. Because we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? Use your judgment and common sense. If something seems unethical or improper, it probably is.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the questions, and he or she will appreciate being consulted as part of the decision-making process.
- Seek help from Company resources. In rare cases where it would be inappropriate or uncomfortable to discuss an issue with your supervisor, or where you believe your supervisor has given you an inappropriate answer, discuss it locally with your office manager or your human resources manager.



- You may report ethical violations in confidence without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected to the maximum extent consistent with the Company's legal obligations. The Company in all circumstances prohibits retaliation of any kind against those who report ethical violations in good faith.
- Ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

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**EXHIBIT 31.1**  
**Certification Pursuant To Rule 13a-14(a)/15d-14(a)**  
**(Chief Executive Officer)**

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, Harold Montgomery, certify that:

- (1) I have reviewed this annual report on Form 10-K of Calpian, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all materials respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 8 , 2013

/s/ Harold H. Montgomery  
Harold H. Montgomery  
Chief Executive Officer

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**EXHIBIT 31.2**  
**Certification Pursuant To Rule 13a-14(a)/15d-14(a)**  
**(Chief Financial Officer)**

CERTIFICATION BY CHIEF FINANCIAL OFFICER

I, David Pilotte, certify that:

- (1) I have reviewed this annual report on Form 10-K of Calpian, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all materials respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 8, 2013

/s/ David N. Pilotte  
David N. Pilotte  
Chief Financial Officer

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**EXHIBIT 32.1**  
**Section 1350 Certification**  
**(Chief Executive Officer)**

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Calpian, Inc. (the "Company") on Form 10-K for the period ending December 31, 2012, as filed with the Securities and Exchange Commission on April 8, 2013, (the "Report"), I, Harold Montgomery, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Harold H. Montgomery  
Harold H. Montgomery  
Chief Executive Officer  
April 8, 2013

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**EXHIBIT 32.2**  
**Section 1350 Certification**  
**(Chief Financial Officer)**

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Calpian, Inc. (the "Company") on Form 10-K for the period ending December 31, 2012, as filed with the Securities and Exchange Commission on April 8, 2013, (the "Report"), I, David N. Pilotte, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ David N. Pilotte  
David N. Pilotte  
Chief Financial Officer  
April 8, 2013

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**FORM OF  
TERM NOTE**

\$ [ Principal Amount ]  
15, 2013

Dated as of March

FOR VALUE RECEIVED, the undersigned Calpian , Inc., a Texas corporation ( “ Borrower ” ) promises to pay to the order of [ Lender ] , an individual ( “ Lender ” ), at [ Address ] , on the Term Loan Maturity Date, the principal sum of [ Principal Amount ] Dollars ( \$ [ Principal Amount ] ) or, if less, the aggregate unpaid principal amount of the Term Loan made by Lender pursuant to Section 2.1 of that certain Loan and Security Agreement, dated as of November 9, 2012 (as mended, restated or otherwise modified from time to time, the “ Loan Agreement ” ), among Borrower, Granite Hill Capital Ventures, LLC, a Delaware limited liability company ( “ Granite Hill ” ) and each of the other financial institutions which are now or hereafter become a party thereto (collectively, together with Granite Hill and Lender, the “ Lenders ” ), and Granite Hill, as agent for the Lenders (in such capacity, “ Agent ” ). Agent is hereby authorized to record the amount of the Term Loan made under this Term Note, and the information so recorded shall be conclusive and binding in the absence of manifest error. capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Loan Agreement.

Borrower also promises to pay interest on the unpaid principal amount hereof from time to time outstanding from the date hereof until maturity (whether by acceleration or otherwise) and, after maturity, until paid, at the rates per annum and on the dates specified in the Loan Agreement.

Payments of both principal and interest are to be made in lawful money of the United States of America in same day or immediately available funds to the account designated by Agent pursuant to the Loan Agreement.

This Note is one of the Term Notes referred to in, and evidences indebtedness incurred under, the Loan Agreement, to which reference is made for a description of the security for this Note and for a statement of the terms and conditions on which Borrower is permitted and required to make prepayments and repayments of principal of the indebtedness evidenced by this Note and on which such indebtedness may be declared to be immediately due and payable. Unless otherwise defined, terms used herein have the meanings provided in the Loan Agreement.

All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest and notice of dishonor.

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**THIS NOTE HAS BEEN DELIVERED IN HILLSBOROUGH, CALIFORNIA, AND SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF CALIFORNIA.**

Borrower:

CALPIAN, INC., a Texas corporation

By: /s/ Harold H. Montgomery  
Name: Harold H. Montgomery  
Title: Chief Executive Officer

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## SCHEDULE OF DIFFERENCES

<u>Principal Amount</u>	<u>Lender</u>	<u>Address</u>
\$ 3,500,000	The Vayam Revocable Trust	2440 Sand Hill Road, Suite 301 Menlo Park CA 94025
\$ 2,500,000	The Swadesh Family Trust	1055 Fremont Ave. Los Altos, CA 94024
\$ 1,000,000	Gaurav Gauba	491 Fletcher Drive Atherton, CA 94027
\$ 1,000,000	Gaurav Gauba & Komal Shah Trust dated April 27, 2000	491 Fletcher Drive Atherton, CA 94027
\$ 500,000	Garg/Shah GRAT Number 9	491 Fletcher Drive Atherton, CA 94027
\$ 500,000	Garg/Shaw GRAT Number 10	491 Fletcher Drive Atherton, CA 94027
\$ 500,000	Sanjay Mehrotra	491 Fletcher Drive Atherton, CA 94027

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**FIRST AMENDMENT  
TO  
LOAN AND SECURITY AGREEMENT**

**THIS FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT**, dated as of February 27, 2013 (this “First Amendment”), is entered into by and among Calpian, Inc., a Texas corporation (“Borrower”), Granite Hill Capital Ventures, LLC, a Delaware limited liability company (“Granite Hill”) and each of the other lenders which now or hereafter become a party hereto (collectively, “Lenders” and each individually, a “Lender”), and Granite Hill, as agent for Lenders (Granite Hill, in such capacity, “Agent”), Calpian Residual Partners LP II (“Calpian II”) and Calpian Residual Partners LP IV (“Calpian IV”).

**RECITALS**

WHEREAS, Borrower, Agent and Lenders have entered into that certain Loan and Security Agreement, dated as of November 9, 2012 (as the same may be further amended, modified, supplemented or restated from time to time, the “Credit Agreement”), pursuant to which Granite Hill has previously extended to Borrower the Initial Term Loan Funding Amount of \$3,000,000 and agreed to extend an additional \$2,000,000 to Borrower (the “Next Term Loan Funding Amount”) upon the terms and conditions set forth in the Credit Agreement, and any and all agreements, documents and instruments now existing or hereafter executed and delivered in connection with the Loans (as the same may be further amended, modified, supplemented or restated from time to time, collectively, the “Loan Documents”);

WHEREAS, the parties hereto find it necessary and desirable to make certain changes to the Credit Agreement as more particularly described herein, including without limitation, to provide for Agent using its best efforts to raise an additional \$10,000,000 in Loans (referred to herein and under the Credit Agreement as the “Term Loan Increased Commitment Amount”) such that the Term Loan Aggregate Commitment may be increased from \$5,000,000 up to a maximum of \$15,000,000.

NOW THEREFORE, in consideration of the foregoing premises and the agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**AGREEMENT**

1. Definitions. All capitalized terms used in this First Amendment and not otherwise defined herein shall have the meanings ascribed to such capitalized terms in the Credit Agreement.
  2. New Definitions. The following new definitions shall be added to the Credit Agreement :  
“\$10,000,000 Threshold” is defined in Section 2.2(d).
-

3. Amendments to Definition . The definition of “Term Loan Maturity Date” shall be revised to read as follows:  
“Term Loan Maturity Date” means September 1, 2016.
4. Amendment to Section 2.1(a) . The first sentence of Section 2.1(a) shall be deleted in its entirety and replaced with the following: “Granite Hill has provided Borrower with a term loan in the maximum principal \$5,000,000, of which \$3,000,000 has been advanced to date, and Agent, together with one or more Lenders, will use its best efforts to provide Borrower with an additional \$10,000,000 in Loans , such that the aggregate maximum commitment available hereunder will be \$15,000,000 (subject in all respects to Agent successfully obtaining such additional funding on a best efforts basis as determined by Agent, the “ Term Loan Aggregate Commitment ”), which Loans (the “ Term Loan ”) shall be evidenced by one or more Term Notes made by Borrower in favor of each Lender, substantially in the form of Exhibit A attached hereto (together with all amendments, renewals, extensions, substitutions, and replacements, collectively, the “ Term Notes ”).”
5. Amendment to Section 2.1(d) . The following additional sentence shall be added to the end of Section 2.1(d): “In the case of an acquisition of Future Residuals which is (i) less than \$500,000, Borrower shall not be required to reimburse Agent for the cost of any remote or onsite diligence, (ii) between \$500,000 and \$1,000,000, Borrower shall be required to reimburse Agent for the cost of any remote diligence only and (iii) above \$1,000,000, Borrower shall be required to reimburse Agent for the cost of any remote or onsite diligence; provided however, that for the avoidance of doubt, Borrower shall be required to reimburse Agent for the cost of any legal contract due diligence in connection with any such acquisition.
6. Amendment to Section 2.1(e) . The reference to “June 1, 2014” in Section 2.1(e) shall be revised to read “September 1, 2014.”
7. Amendment to Section 2.2(d) . The following additional sentence shall be added to the end of Section 2.2(d): “For the avoidance of doubt and notwithstanding anything herein to the contrary, (1) at the time of funding the initial portion of the Term Loan Increased Commitment Amount, Borrower shall pay to Granite Hill a Lender an arrangement fee equal to 4% of \$5,000,000 if such funding is arranged by Granite Hill (or 2% of \$5,000,000 if arranged by Borrower), and (2) once \$10,000,000 in Loans have been advanced hereunder (the “ \$10,000,000 Threshold ”), at the time of funding the next advance above the \$10,000,000 Threshold, Borrower shall pay to Granite an arrangement fee equal to 4% of \$5,000,000 if such funding is arranged by Granite Hill (or 2% of \$5,000,000 if arranged by Borrower).”
8. Amendment to Section 2.2(e) . Section 2.2(e) shall be deleted in its entirety and replaced with the following: “(e) Commitment Fee . On the date of the First

Amendment, Borrower shall pay to Granite Hill a commitment fee in an amount equal to 1.35% of \$10,000,000 (the maximum Term Loan Increased Commitment Amount).

9. Amendment to Section 2.2(f): The following dates referenced in Section 2.2(f) shall be amended as follows:

“February 15, 2013” shall be revised to read “May 15, 2013”

“May 15, 2013” shall be revised to read “August 15, 2013”

“August 15, 2013” shall be revised to read “November 15, 2013”

“November 15, 2013” shall be revised to read “February 15, 2014”

10. Amendment to Section 8(n). Section 8(n) shall be deleted in its entirety and replaced with the following: “(n) Without Agent’s prior written approval, Borrower shall not modify any payment instructions to the Processors, and, if and to the extent any such payment instructions to Processors are modified or if Borrower enters into new payment instructions with any Processor, Granite Hill, as Agent, must be a signatory thereto prior to the effectiveness of such modification of existing payment instructions or new payment instructions.”

11. Representations and Warranties. In order to induce Agent and Lenders to enter into this First Amendment, Borrower hereby represents and warrants to Agent and Lenders as follows:

(a) After giving effect to this First Amendment: (i) the representations and warranties contained in the Loan Documents (other than those that expressly speak as of a different date) are true, accurate and complete in all material respects as of the date hereof and (ii) no Default or Event of Default has occurred and is continuing;

(b) Borrower has the corporate power and authority to execute and deliver this First Amendment and to perform its obligations under the Loan Documents to which it is a party;

(c) The organizational documents of Borrower delivered to Agent and Lenders pursuant to the Credit Agreement are true, accurate and complete and have not been amended, supplemented or restated and continue to be in full force and effect, except as certified to Agent and Lenders at the time of their delivery to Agent and Lenders;

(d) The execution and delivery by Borrower of this First Amendment and the performance by Borrower of its obligations under the Credit Agreement and each of the other Loan Documents to which Borrower is a party have been duly authorized by all necessary corporate action on the part of Borrower;

(e) The execution and delivery by Borrower of this First Amendment and the performance by Borrower of its obligations under the Loan Documents do not and will

not contravene (i) any law or regulation binding on or affecting Borrower, (ii) the articles of incorporation or bylaws of Borrower, (iii) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower or (iv) any contractual restriction binding on or affecting Borrower;

(f) The execution and delivery by Borrower of this First Amendment and the performance by Borrower of its obligations under each Loan Document to which it is a party do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

(g) This First Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

**12. Conditions Precedent.** The legal effectiveness of this First Amendment is subject to the full satisfaction, in Agent and Lenders' sole discretion, of the following conditions precedent:

(a) Borrower shall have duly executed this First Amendment and delivered the same to Agent; and

(b) Borrower shall have paid any and all fees that are due to Agent and/or Granite Hill, including, but not limited to (i) the estimated reasonable fees and expenses of Agent's legal counsel in connection with preparation, negotiation and execution of this First Amendment and (ii) all other fees and costs that are due to Agent and/or Granite Hill as contemplated by this First Amendment.

**13. Severability.** Any provision of this First Amendment that is held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this First Amendment and the effect thereof shall be confined to the provisions so held to be invalid or unenforceable.

**14. Successors and Assigns.** This First Amendment is binding upon and shall inure to the benefit of Borrower, Agent, Lenders and their respective successors and permitted assigns, except as limited by applicable law and/or by the terms of the Credit Agreement.

**15. Effect of this First Amendment.** Except as expressly provided for in this First Amendment, this First Amendment shall not, in any way or manner, rescind, supplement or modify any existing term or provision of the Credit Agreement or any other Loan Document or waive or diminish any right or remedy of Agent or Lenders under the Credit Agreement, or any other Loan Document, at law in or equity. All of the amendments set forth in this First Amendment shall be effective as of the date hereof.

16. Further Assurances . Borrower agrees that it shall do and perform such acts and execute and deliver such additional documents and instruments as may be necessary to effectuate the purposes of this First Amendment, including, without limitation, documents and instruments relating to the perfection and continuation of the security interest of Lenders granted under the Credit Agreement.
17. Headings . The headings in this First Amendment are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.
18. Governing Law . THIS FIRST AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS.
19. Integration . Together with the Loan Documents, the Credit Agreement, as modified by this First Amendment, constitute the entire agreement among the parties hereto and supersedes all prior and contemporaneous agreements, oral or written, among the parties concerning the subject matter hereof. No term of this First Amendment shall be amended, supplemented, modified or waived except by a writing signed by the parties hereto.
20. Construction . Each party to this First Amendment has reviewed and participated in the formulation of the components of this First Amendment. Accordingly, this First Amendment shall be construed simply according to its fair meaning and not strictly for or against any party.
21. Attorneys' Fees . Borrower agrees to pay to Lender, in addition to any other amounts otherwise due and owing to Agent and Lenders, all of Agent and Lenders' reasonable attorneys' fees, costs and expenses incurred in connection with the preparation of this First Amendment and the resolution of the matters discussed herein. The parties hereto further agree that, in the event that any action or proceeding shall be commenced to enforce this First Amendment or any right arising in connection with this First Amendment, the prevailing party in any such action or proceeding shall be entitled to recover from the other party the full amount of the reasonable attorneys' fees, costs and expenses incurred by such prevailing party in connection with such action or proceeding.
22. Counterparts . This First Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the day and year first written above.

**Borrower :**

**CALPIAN, INC., a Texas corporation**

By: s/s Harold H. Montgomery  
Name: Harold H. Montgomery  
Title: Chief Executive Officer

**Calpian II :**

**CALPIAN RESIDUAL PARTNERS LP II**

By: s/s Harold H. Montgomery  
Name: Harold H. Montgomery  
Title: Chief Executive Officer

**Calpian IV :**

**CALPIAN RESIDUAL PARTNERS LP IV**

By: s/s Harold H. Montgomery  
Name: Harold H. Montgomery  
Title: Chief Executive Officer

**Agent and Lender :**

**GRANITE HILL CAPITAL VENTURES, LLC ,**  
a Delaware limited liability company

By: s/s Sameet S. Mehta  
Name: Shailesh J. Meta  
Title: Sameet S. Mehta As Attorney-In-Fact

306488632.2

**SECOND AMENDMENT  
TO  
LOAN AND SECURITY AGREEMENT**

**THIS SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT**, dated as of March 15, 2013 (this “Second Amendment”), is entered into by and among (i) Calpian, Inc., a Texas corporation (“Borrower”), (ii) Granite Hill Capital Ventures, LLC, a Delaware limited liability company (“Granite Hill”), Sanjay Mehrotra, an individual, The Vayam Revocable Trust, The Swadesh Family Trust, Garg/ Shah GRAT Number 10, Garg/ Shah GRAT Number 9, Gaurav Garg & Komal Shaw Trust dated April 27, 2000 and Gaurav Gauba, an individual (collectively, the “New Lenders”) and each of the other lenders hereafter become a party hereto (collectively, together with Granite Hill and the New Lenders, the “Lenders” and each individually, a “Lender”), and (iii) Granite Hill, as agent for Lenders (Granite Hill, in such capacity, “Agent”), Calpian Residual Partners LP II (“Calpian II”) and Calpian Residual Partners LP IV (“Calpian IV”).

**RECITALS**

WHEREAS, Borrower, Agent and Lenders have entered into that certain Loan and Security Agreement, dated as of November 9, 2012 (as amended pursuant to that certain First Amendment to Loan and Security Agreement, dated as of February 27, 2013, as the same may be further amended, modified, supplemented or restated from time to time, the “Credit Agreement”);

WHEREAS, the parties hereto find it necessary and desirable to cause Borrower to issue certain additional Term Notes (as set forth in Section 5(b) below, the “New Term Notes”) in favor of the New Lenders, as Lenders under the Term Loan.

NOW THEREFORE, in consideration of the foregoing premises and the agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**AGREEMENT**

1. Definitions. All capitalized terms used in this Second Amendment and not otherwise defined herein shall have the meanings ascribed to such capitalized terms in the Credit Agreement.
  2. New Lenders. For the avoidance of doubt, the New Lenders shall be deemed to be “Lenders” and “Term Loan Lenders” under the Credit Agreement.
  3. New Term Notes. For the avoidance of doubt, the New Term Notes issued concurrently herewith and described in Section 5(b) below shall be deemed to be “Notes” and “Term Loan Notes” under the Credit Agreement.
-

4. Representations and Warranties . In order to induce Agent and Lenders to enter into this Second Amendment, Borrower hereby represents and warrants to Agent and Lenders as follows:
- (a) After giving effect to this Second Amendment: (i) the representations and warranties contained in the Loan Documents (other than those that expressly speak as of a different date) are true, accurate and complete in all material respects as of the date hereof and (ii) no Default or Event of Default has occurred and is continuing;
  - (b) Borrower has the corporate power and authority to execute and deliver this Second Amendment and to perform its obligations under the Loan Documents to which it is a party;
  - (c) The organizational documents of Borrower delivered to Agent and Lenders pursuant to the Credit Agreement are true, accurate and complete and have not been amended, supplemented or restated and continue to be in full force and effect, except as certified to Agent and Lenders at the time of their delivery to Agent and Lenders;
  - (d) The execution and delivery by Borrower of this Second Amendment and the performance by Borrower of its obligations under the Credit Agreement and each of the other Loan Documents to which Borrower is a party have been duly authorized by all necessary corporate action on the part of Borrower;
  - (e) The execution and delivery by Borrower of this Second Amendment and the performance by Borrower of its obligations under the Loan Documents do not and will not contravene (i) any law or regulation binding on or affecting Borrower, (ii) the articles of incorporation or bylaws of Borrower, (iii) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower or (iv) any contractual restriction binding on or affecting Borrower;
  - (f) The execution and delivery by Borrower of this Second Amendment and the performance by Borrower of its obligations under each Loan Document to which it is a party do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and
  - (g) This Second Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

5. Conditions Precedent. The legal effectiveness of this Second Amendment is subject to the full satisfaction, in Agent and Lenders' sole discretion, of the following conditions precedent:
- (a) Borrower shall have duly executed this Second Amendment and delivered the same to Agent; and
  - (b) Borrower shall have duly executed:
    - (i) that certain Term Note, dated of even date herewith, made by Borrower in favor of Sanjay Mehrotra, an individual, in the original principal amount of \$500,000;
    - (ii) that certain Term Note, dated of even date herewith, made by Borrower in favor of The Vayam Revocable Trust, in the original principal amount of \$3,500,000;
    - (iii) that certain Term Note, dated of even date herewith, made by Borrower in favor of The Swadesh Family Trust, in the original principal amount of \$2,500,000;
    - (iv) that certain Term Note, dated of even date herewith, made by Borrower in favor of Garg/ Shaw GRAT Number 10, in the original principal amount of \$500,000;
    - (v) that certain Term Note, dated of even date herewith, made by Borrower in favor of Garg/ Shaw GRAT Number 9, in the original principal amount of \$00,000;
    - (vi) that certain Term Note, dated of even date herewith, made by Borrower in favor of Gaurav Garg & Komal Shaw Trust dated April 27, 2000, in the original principal amount of \$1,000,000; and
    - (vii) that certain Term Note, dated of even date herewith, made by Borrower in favor of Gaurav Gauba, an individual, in the original principal amount of \$1,000,000.
  - (c) Borrower shall have paid any and all fees that are due to Agent and/or Granite Hill, including, but not limited to (i) the estimated reasonable fees and expenses of Agent's legal counsel in connection with preparation, negotiation and execution of this Second Amendment and (ii) all other fees and costs that are due to Agent and/or Granite Hill as contemplated by this Second Amendment.
6. Severability. Any provision of this Second Amendment that is held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Second Amendment and the effect thereof shall be confined to the provisions so held to be invalid or unenforceable.

7. Successors and Assigns . This Second Amendment is binding upon and shall inure to the benefit of Borrower, Agent, Lenders and their respective successors and permitted assigns, except as limited by applicable law and/or by the terms of the Credit Agreement.
8. Effect of this Second Amendment . Except as expressly provided for in this Second Amendment, this Second Amendment shall not, in any way or manner, rescind, supplement or modify any existing term or provision of the Credit Agreement or any other Loan Document or waive or diminish any right or remedy of Agent or Lenders under the Credit Agreement, or any other Loan Document, at law in or equity. All of the amendments set forth in this Second Amendment shall be effective as of the date hereof.
9. Further Assurances . Borrower agrees that it shall do and perform such acts and execute and deliver such additional documents and instruments as may be necessary to effectuate the purposes of this Second Amendment, including, without limitation, documents and instruments relating to the perfection and continuation of the security interest of Lenders granted under the Credit Agreement.
10. Headings . The headings in this Second Amendment are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.
11. Governing Law . THIS SECOND AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS.
12. Integration . Together with the Loan Documents, the Credit Agreement, as modified by this Second Amendment, constitute the entire agreement among the parties hereto and supersedes all prior and contemporaneous agreements, oral or written, among the parties concerning the subject matter hereof. No term of this Second Amendment shall be amended, supplemented, modified or waived except by a writing signed by the parties hereto.
13. Construction . Each party to this Second Amendment has reviewed and participated in the formulation of the components of this Second Amendment. Accordingly, this Second Amendment shall be construed simply according to its fair meaning and not strictly for or against any party.
14. Attorneys' Fees . Borrower agrees to pay to Granite Hill, in addition to any other amounts otherwise due and owing to Agent and Lenders, all reasonable attorneys' fees, costs and expenses incurred in connection with the preparation of this Second Amendment and the resolution of the matters discussed herein. The parties hereto further agree that, in the event that any action or proceeding shall be commenced to enforce this Second Amendment or any right arising in connection

with this Second Amendment, the prevailing party in any such action or proceeding shall be entitled to recover from the other party the full amount of the reasonable attorneys' fees, costs and expenses incurred by such prevailing party in connection with such action or proceeding.

- 15.** Counterparts . This Second Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the day and year first written above.

**Borrower :**

**CALPIAN, INC., a Texas corporation**

By: /s/ Harold H Montgomery  
Name: Harold H. Montgomery  
Title: Chief Executive Officer

**Calpian II :**

**CALPIAN RESIDUAL PARTNERS LP II**

By:/s/ Harold H Montgomery  
Name: Harold H. Montgomery  
Title: Chief Executive Officer

**Calpian IV :**

**CALPIAN RESIDUAL PARTNERS LP IV**

By: /s/ Harold H Montgomery  
Name: Harold H. Montgomery  
Title: Chief Executive Officer

**Agent and Lender :**

**GRANITE HILL CAPITAL VENTURES, LLC ,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Name:  
Title:

**Lenders :**

\_\_\_\_\_  
Sanjay Mehrotra

The Vayam Revocable Trust

By: \_\_\_\_\_  
Name: Sanjay Subhedar  
Title: Trustee

The Swadesh Family Trust

By: \_\_\_\_\_  
Name: Swadesh Singh  
Title: Trustee

Garg/Shah GRAT Number 10

By: \_\_\_\_\_  
Name: Gaurav Garg  
Title: Trustee

Garg/Shah GRAT Number 9

By: \_\_\_\_\_  
Name: Gaurav Garg  
Title: Trustee

Gaurav Garg & Komal Shah Trust dated April 27, 2000

By: \_\_\_\_\_  
Name: Gaurav Garg  
Title: Trustee

Gaurav Garg & Komal Shah Trust dated April 27, 2000

By: \_\_\_\_\_  
Name: Gaurav Garg  
Title: Trustee

\_\_\_\_\_  
Gaurav Gauba

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