



# **Planet Payment, Inc**

**Annual Report  
Pursuant to Section Two of Pink OTC Market  
Guidelines for Providing Adequate Information**

**Twelve Months ended December 31, 2009**

**Principal Offices**  
670 Long Beach Boulevard  
Long Beach, NY 11561

Tel: +1 (516) 670-3200  
Fax: +1 (516) 670-3520

[www.planetpayment.com](http://www.planetpayment.com)  
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# Planet Payment, Inc

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# PLANET PAYMENT, INC.

## ANNUAL REPORT FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009

### **Part A - General Company Information:**

#### **I: Issuer:**

Planet Payment, Inc. (“Issuer” or the “Company”)

#### **II: Principal Executive Offices:**

670 Long Beach Boulevard  
Long Beach, NY 11561

Tel: +1 (516) 670-3200

Fax: +1 (516) 670-3520

#### **Investor Relations Contact**

Graham N. Arad, SVP & General Counsel  
[investors@planetpayment.com](mailto:investors@planetpayment.com)

[www.planetpayment.com](http://www.planetpayment.com)

**III:** The Issuer is a Delaware Corporation, incorporated on October 12, 1999

### **Part B - Share Structure:**

**IV:** a. Common Stock CUSIP U72603118, Ticker PLPM  
b. Series A Convertible Preferred Stock (“Preferred Stock”) (not traded)

**V:** a. Common Stock \$0.01 par value  
b. Preferred Stock \$0.01 par value

Each Class of shares has the rights set forth in the Amended & Restated Certificate of Incorporation of the Issuer, summarized as follows:

**Common Stock** — The Common stockholders are entitled to a distribution of all remaining assets (which may be more or less than the original investment), on a proportionate basis, in the event of the dissolution or winding up of the Issuer, after payment of all liabilities of the Issuer and the liquidation preference of all series of preferred stock then outstanding. The Common Stock has no conversion or redemption rights. The common stock is entitled to one vote per share at all general meetings of the Issuer. The Common stockholders are entitled to share in all

dividends and distributions, which may be declared by the Issuer, on a proportionate basis with all other classes and series of stock outstanding.

**Series A Convertible Preferred Stock** — The holders of the Preferred Stock are entitled upon a liquidation event, to receive back their original investment, in priority to any return of capital to all other stockholders, with no further participation. The Preferred Stock may be converted into Common Stock at any time at the election of the holders thereof and automatically by the Company in limited circumstances based on a conversion price of \$1.31 per share (subject to adjustment), as set forth below. The Preferred Stock is entitled to one vote per share on an as converted to Common Stock basis at all general meetings of the Issuer. The Preferred stockholders are entitled to share in all dividends and distributions, which may be declared by the Issuer, on a proportionate basis with all other classes and series of stock outstanding.

**VI:**

(i) As of December 31, 2009

(ii) Authorized Shares

- a. Common Stock: 70,000,000 shares of \$0.01 par value each
- b. Preferred Stock: 4,000,000 shares of \$0.01 par value each

(iii) Number of Shares Outstanding

- a. Common Stock: 39,170,213
- b. Preferred Stock: 2,243,750 (convertible into 6,851,144 shares of Common Stock)

(iv) Public Float: 33,464,030 Common Shares

(v) Beneficial Shareholders of Record: 287

**Part C - Business Information:**

**VII:** The Company's transfer agent is Computershare Investor Services, 250 Royall Street Canton, MA 02021.

**VIII, IX and X:** See Chairman's Statement and Management Discussion and Analysis under item XVI below for annual update on the Issuer's business, services offered and Issuer's facilities.

**XI:** Directors

Philip D. Beck

Graham N. Arad

Lady Barbara Judge

Jon Kaiden

Cameron McColl

Business address: c/o Planet Payment, Inc., 670 Long Beach Blvd., Long Beach, NY 11561

Officers

Philip D. Beck, CEO  
Graham N. Arad, SVP & Corporate Secretary  
Seth Asofsky, SVP USA  
Robert Cox, CFO  
Kieth Flaherty, SVP Operations & Project Management  
Alan Lubitz, CTO  
Business address: c/o Planet Payment, Inc., 670 Long Beach Blvd., Long Beach, NY  
11561

See Issuer's website at [www.planetpayment.com/investor-relations/director.aspx](http://www.planetpayment.com/investor-relations/director.aspx) and [www.planetpayment.com/senior-management.aspx](http://www.planetpayment.com/senior-management.aspx) for further information on the Issuer's directors and senior officers. None of the directors or officers has been subject to any convictions, orders or judgments as are referred to in item XI B. There are no family relationships as referenced in item XI C. There are no related party transactions except as disclosed in the 2009 Financial Statements.

**XII:** See Audited Consolidated Financial Statements of the Issuer as of and for the Years Ended December 31, 2009 and 2008 annexed hereto as Exhibit A and incorporated herein by reference ("2009 Financial Statements") and posted through the OTC Disclosure & News Service and on the Issuer's website at [www.planetpayment.com/investor-relations/downloads.aspx](http://www.planetpayment.com/investor-relations/downloads.aspx) which are incorporated herein by reference comprising:

- 1) Balance Sheet;
- 2) Statements of Operations
- 3) Statements of Cash Flows
- 4) Statements of Stockholders Equity
- 5) Notes to the Financial Statements
- 6) Audit Opinion Letter dated March 22, 2010 issued by Deloitte & Touche, LLP

**XIII:** Financial Statements for the two prior fiscal years have been posted on the OTC Disclosure & News Service and on the Issuer's website at [www.planetpayment.com/investor-relations/downloads.aspx](http://www.planetpayment.com/investor-relations/downloads.aspx) and are incorporated herein by reference.

**XIV:** See Issuer's website at [www.planetpayment.com/investor-relations/stock-quote.aspx](http://www.planetpayment.com/investor-relations/stock-quote.aspx) for details of major Beneficial Owners of the Issuer's stock.

**XV:** See OTC Disclosure & News Service and issuer website at [www.planetpayment.com/investor-relations/company.directory.aspx](http://www.planetpayment.com/investor-relations/company.directory.aspx).

**XVI:** See pages 5-11 below.

**XVII:** Details of all shares and securities or options to acquire shares issued by the Issuer during the two years ended December 31, 2009 and since then through the date hereof are set forth in the 2009 Financial Statements. All issuances of shares by the Issuer since January 1, 2008, including all offerings of securities have been duly disclosed through the OTC Disclosure & News Service.

**XVIII:** Details of all material contracts entered into by the Issuer during the two years prior to the date hereof have been posted through the OTC Disclosure & News Service.

**XIX:** Attached to this report as Exhibit B is the Amended and Restated Certificate of Incorporation of the Issuer filed on June 8, 2009.

**XX:** There were no purchases of Equity Securities by the Issuer or Affiliated Purchasers as defined in item XX during 2009.

## **XVI: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes thereto. The following discussion may contain forward-looking statements that reflect future plans, estimates, beliefs, and expected performance. The forward-looking statements are dependents upon events, risks, and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. As such, the forward-looking events discussed may not occur. See discussion under the headings "*Forward Looking Statements*" and "*Risk Factors*" below.

The financial information with respect to the twelve month periods ended December 31, 2009 and 2008 has been audited. The financial information with respect to the three month periods ended December 31, 2009 and 2009 that is discussed below is unaudited. In the opinion of management, this information contains all adjustments, consisting of normal recurring accruals, necessary for the fair presentation of the results for such periods. The results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year. The Company provides certain non-GAAP financial measures in this statement, in order to provide investors with additional perspective of underlying business trends and results. These non-GAAP key business indicators, which include Adjusted EBITDA, cash operating expense and cash compensation, transaction volumes, merchant locations and points of sale, should not be considered replacements for and should be read in conjunction with the GAAP financial measures.

## **CHAIRMAN & CEO REPORT**

I am pleased to announce our results for the year ended December 31, 2009. Once again the Company delivered strong results, despite a challenging business climate that persisted throughout the year. The 31% increase in revenue to \$47.3 million, and 42% increase in gross profit to \$16.3 million demonstrate that Planet Payment has continued to execute upon its business plan. Our 2009 performance has resulted in our first year of positive Adjusted EBITDA. Our results over the period from 2006 to 2009 represent a compound annual revenue growth rate of 115%.

The Company's customer base of more than 40 supported acquiring banks and processors now spans North America, the Middle East and Asia-Pacific, including China, Hong Kong, Macau, Taiwan and Malaysia, with India and Canada newly activated in 2009. Our revenue in Greater China as a whole grew approximately 49% during the year, which supports the view that the Company is well positioned for the recovery by virtue of its exposure to one of the fastest growing economies in the world.

By the end of 2009, our base of active merchants grew more than 25% to over 10,000 active locations. Approximately 40% of the multi-currency processing transaction volume processed in December 2009 was attributed to new merchants activated in 2009, with 11% of the December 2009 volume attributable to merchants activated in the fourth quarter 2009. Although the Company's same store sales volume experienced significant declines in the first half of the year as compared to the same period in 2008, during the second half of 2009 this trend began to reverse so that same store sales volume approached 2008 levels again.

Planet Payment's stable operating expenses, strong revenue growth and scalable platform provide significant operating leverage, as evidenced in 2009 when our operating costs as a percentage of revenue decreased to 40% from 60%. In 2010, as we increase our processing volumes, the Company should see an increasing proportion of its revenue and gross profits falling to the bottom line.

During 2009 we continued to make a substantial investment in our systems to support new markets and products. Our innovative services help merchants sell more goods and services by allowing them to simplify the shopping experience by allowing customers to pay in their own currencies. Using our analytic products, merchants can also better understand their customer spending habits. Our solutions can deliver more operational efficiencies at the point of sale through the use of a common point of sale technology connected to our platform, no matter the acquiring bank, region or currency in which the merchant wishes to conduct business.

## **GLOBAL EXPANSION – REVIEW OF 2009 ACTIVITIES**

During 2009, the Company further extended its international reach with the launch of multicurrency processing services in India and Canada. In Canada, the Company additionally launched domestic processing services, in support of one of the first Canadian multi-card acquirers.

In mainland China we signed new agreements with Agricultural Bank of China to provide our multicurrency solutions through ABC divisions in an additional eight provinces and cities including support for integrated systems and local terminal solutions.

The Company signed agreements with JCB, the leading Japanese card issuer, to provide back-end settlement and clearing processing for all Hong Kong merchants acquired directly by JCB and multi-currency processing and acquiring services for North American merchants. Our multi-currency services were launched in Guam, a prime Japanese tourist destination, through First Hawaiian Bank, a TSYS Acquiring Solutions customer, which also offers the service in Hawaii. We also signed agreements with American Express, to provide front end, authorization processing for merchants in Hong Kong and in the United States.

Across Asia-Pacific, our customers continued to attract new merchants to their portfolios, activating over 2,800 new multi-currency and processing merchant locations, thereby increasing the revenue contribution from the region by more than 50% over 2008.

We also benefit from the fact that in many of the countries in which we operate, our revenue is earned in US dollars, or currencies that track closely to the US dollar. Although currency fluctuations do impact our margins on multi-currency processing, our overall financial results are less sensitive to major fluctuations in the US Dollar exchange rate, as compared to other companies with significant foreign earnings.

In 2010 we expect to continue to add processors, acquiring banks and active merchants to our platform. With each new customer win, we can increase our transaction volume and our revenue. In all cases, we

are adding transaction volume to our single, scalable, currency neutral platform resulting in increased operational leverage.

## **GLOBAL INNOVATION – ENHANCEMENTS TO OUR PROCESSING PLATFORM AND CAPABILITIES**

During 2009, we continued to enhance our proprietary systems in order to offer our acquiring partners and their merchants increased opportunities to capture additional revenue with new products and services. The Company invested over 45% of total cash operating costs in developing new technology infrastructure and services. In addition, approximately 65% of our personnel are involved daily in maintaining and improving our platform and managing our processing operations.

To support our Canadian solution, we added several capabilities for both in-store and online merchants, including local interchange clearing as well as certification with Visa Debit and Interac Debit—the dominant transaction type in that market. The iPAY e-commerce gateway, was launched in Canada to enable e-commerce merchants to price in currencies other than Canadian dollars. The Company also supported further rollout in Canada and Asia-Pacific markets of EMV “chip and pin” point of sale terminals, which offer enhanced security to merchants and cardholders.

The Company also expanded its processing to over 45 authorization currencies to support our existing customers and is testing additional currencies to support the delivery of new services to new markets. This expansion allows us to offer our acquiring customers and their merchants access to additional revenue streams.

We have continued to ensure our processing platform remains robust, reliable, scalable and secure. To that end, the Company upgraded components of our authorization systems which resulted in increased reliability, cost improvements and greater efficiencies. We also invested in state-of-the-art hardware upgrades to our merchant accounting system, which offer enhanced performance and increased scalability for our expanding customer portfolio.

The provision of best-in-class secure processing solutions to our acquiring customers, their merchants and cardholders continues to be a key priority for the Company. To that end, we deployed several new service offerings. We enriched our e-commerce processing services by developing iPAY Tokens™, which was launched in 2010. This service protects sensitive customer payment account data by encrypting and assigning a unique token that is stored securely in Planet Payment’s Payment Card Industry Data Security Standard (PCI) compliant data vault. Merchants have the ability to process payments by passing the token, rather than handling and storing sensitive customer data, facilitating a merchant’s PCI compliance and reducing exposure related to the storage of sensitive customer account data.

The Company also implemented a new portfolio risk and fraud monitoring system which allows both Planet Payment and its acquirers to better identify potential transactional anomalies and more effectively minimize potential losses within their merchant portfolios. Our processing platform was also certified to support the Verified by Visa and MasterCard SecureCode programs, which offer increased e-commerce transaction processing security through cardholder validation.

During the year the Company again successfully completed its annual examination under Statement of Auditing Standards No. 70, Service Organizations (“SAS70”) Type II and obtained re-certification of compliance with the PCI security requirements.

In March, 2010 Planet Payment was awarded a patent from the United States Patent and Trademark Office that protects, among other innovations, our methods to obtain the cardholder's currency selection, including our Cardholder Choice receipt model which has been extensively deployed in the market. Furthermore, we obtained patents in Singapore, New Zealand and the Philippines covering certain of the unique methodology and processes comprising our Pay in Your Currency service.

Additional patent applications are also pending in the US and in a number of other jurisdictions for technological innovations developed by Planet Payment. We view the Company's growing catalogue of patents as a validation of the Company's innovative approach to multi-currency payments and believe these patents should serve to strengthen the Company's market position in several key jurisdictions.

In 2010, we are continuing to use our technology resources to develop enhanced platform capabilities and solutions including multi-currency processing for ATMs, debit card processing, enhanced merchant fraud screening tools for e-commerce customers, as well as additional opportunities to further internationalize the iPAY gateway. These enhancements will when delivered, enable us to offer our customers additional value-added solutions that allow them and their merchants to grow their businesses.

## **FINANCIAL OVERVIEW** *All figures are in US dollars.*

### **Results of Operations**

#### **Twelve Months Ended December 31, 2009 compared to Twelve Months Ended December 31, 2008**

*Revenue:* Total revenue in 2009 increased 31% to \$47.3m (2008: \$36.2m) led by the rollout of our services in the new markets of India and Canada, as well as new merchant deployments with our customers in China, Hong Kong, Macau, Taiwan, India and North America. Multi-currency processing revenue increased 40% to \$33.3m (2008: \$23.8m) and represented 71% of total revenue (2008: 66%). Processing revenue increased 12% to \$13.8m, representing 29% of total revenue (2008: 34%).

*Transaction Volume:* The Company's total settled transaction volume increased 38% to \$2.2b (2008: \$1.5b). Settled transaction volume from multi-currency processing services increased 32% to \$909m (2008: \$689m). Settled volume from other processing services increased 42% to \$1.2b (2008: \$874m).

*Gross Profit:* Gross profit rose 42% to \$16.3m (2008: \$11.5m). Multi-currency gross profit increased \$3.5m or 38% to \$12.6m (2008: \$9.1m). Processing revenue gross profit increased \$1.3m or 56% to \$3.6m (2008: \$2.3m). The Company's overall gross profit margin increased to 34.5% (2008: 31.7%) as a result of the Company's actions to enhance the profitability of its direct acquiring portfolio for which gross profit margins increased to 26% (2008: 18.6%).

*Operating Expenses:* Operating expenses declined 13%, or \$2.9m, to \$18.8m (2008: \$21.8m), including a reduction of \$1.3m in compensation and benefits, \$0.6m in professional fees and \$0.5m in provision for doubtful accounts. The Company's operating costs as a percentage of revenue decreased to 40% from 60% in 2008.

Cash operating expenses (excluding \$3.1m, comprising the following non-cash expenses: depreciation and amortization, stock-related compensation expense arising from Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718, Shared Based Payment ("ASC 718") and other non-cash expense) decreased 11% to \$15.8m (2008: \$17.8m).

Cash compensation expense (excluding \$1.1m of stock-related compensation expense arising from ASC 718) declined 9% to \$9.3m (2008: \$10.2m) and represented 59% of total cash operating expenses. Headcount declined from 138 in December 2008 to 134 in December 2009.

*Adjusted EBITDA:* The Company achieved positive adjusted EBITDA for the year of \$0.5m, a substantial improvement from the 2008 loss of \$6.3m. See Table 1 in Exhibit 1 for a reconciliation of Net loss to adjusted EBITDA.

*Other Income/Expense:* Interest expense increased to \$1.2m (2008: \$1.0m).

*Gain (Loss) from discontinued operations:* A loss of \$0.3m was recognized as the Company wrote off as uncollectable a note receivable and related interest from a third party at December 31, 2009.

*Net Loss:* The Company's growing revenues and reduction in operating expenses led to a 64% improvement in Net loss to \$4m (2008 loss: \$11m).

## **Results of Operations**

### **Three Months Ended December 31, 2009 compared to Three Months Ended December 31, 2008**

*Revenue:* Total revenue in the fourth quarter 2009 grew 21% over fourth quarter 2008 to \$14.2m (Q4 2008: 11.8m). Over the same period, multi-currency processing revenue increased 41% to \$10.8m (Q4 2008: \$7.6m), while processing revenue declined 16% to \$3.5m (Q4 2008: \$4.1m).

The Company's total revenue also grew sequentially over the third quarter 2009, with total revenue in the fourth quarter 2009 increasing by 21% (Q3 2009: \$11.7m). This growth was led by 26% growth in multi-currency processing.

*Transaction Volume:* The Company processed total settled transaction volume of over \$631m, an increase of 24% (Q4: 2008: \$510m). Multi-currency processing services transaction volume for the fourth quarter 2009 increased 37% to \$300m (Q4 2008: \$218m). Of the December 2009 multi-currency volume, 40% was attributed to merchants activated during 2009, approximately 58% of which were added in the third and fourth quarter of 2009. Processing volume increased by 13% to \$331m (Q4 2008: \$292m).

*Gross Profit:* Gross profit rose 26% to \$4.7m over fourth quarter 2008 (Q4 2008: \$3.7m). Gross margin percentage was 32.9%, as compared to Q4 2008: 31.6%.

*Operating Expenses:* Operating expenses declined 13%, to \$5.0m, (Q4:2008: \$5.7m), including a reduction of \$0.5m in compensation and benefits, and \$0.2m in other expenses. The Company's operating costs as a percentage of revenue continued to decline to 35% from 49% in Q4:2008.

Cash operating expenses (excluding \$0.8m, comprising the following non-cash expenses: depreciation and amortization, stock-related compensation expense arising from ASC 718 and other non-cash expense) declined 5% to \$4.2m (Q3:2008: \$4.3m).

Cash compensation expenses (excluding \$0.2m of stock-related compensation expense arising from ASC 718) totalled \$2.4m, a decline of 11% over fourth quarter 2008 and represented 58% of total cash operating expenses for the quarter (Q4:2008: \$2.7m, represented 63% of total cash operating expenses).

*Adjusted EBITDA:* Achieved third consecutive positive EBITDA quarter, with adjusted EBITDA improving to \$0.5m, a \$1.1m improvement over fourth quarter 2008 (Q4 2008 loss: \$0.6m). Sequentially, EBITDA improved 158% over third quarter 2009 (Q3 2009: \$0.2m). See Table 1 in Exhibit 1 for a reconciliation of Net loss to adjusted EBITDA.

*Net loss:* The Company's increasing revenues and reduction in operating expenses led to an improvement of approximately 59% in net loss to \$0.9m (Q4 2008 loss: \$2.1m).

The Company provides certain non-GAAP financial measures in this statement, in order to provide investors with additional perspective of underlying business trends and results. These non-GAAP key business indicators, which include Adjusted EBITDA, cash operating expense and cash compensation expense, transaction volumes, and active merchant locations and points of sale, should not be considered replacements for and should be read in conjunction with the GAAP financial measures.

## **CORPORATE FINANCE**

The Company completed private placings of new common shares in March and November raising \$6.7 million, net of expenses. The Company also issued \$0.4 million in convertible debt during 2009, which were converted to common stock at December 31, 2009. The net proceeds of the private placings and the convertible debt were used to fund 2009 operations and support ongoing working capital requirements.

The Company ended 2009 with \$3.8 million in cash and cash equivalents (2008: \$0.2 million). Accounts receivable increased only marginally to \$1.9 million (2008: \$1.8 million), notwithstanding the substantial overall growth in the business. Current assets increased to \$9.7 million (2008: \$5.2 million). Current liabilities totalled \$7.4 million at December 31, 2009, an increase of \$3.1 million over 2008 due to the fact that \$4 million in long term debt has become current as of the fourth quarter 2009. Excluding the \$4 million note, current liabilities declined by \$0.9 million as of December 31, 2009. There was a corresponding reduction in long term debt of \$4 million to \$9 million.

The Company ended 2009 with \$15.8 million total assets, a 48% improvement (2008: \$10.8 million) and \$0.5 million in Stockholders' Deficit as compared to a deficit of \$6.6 million at the end of 2008.

## **CURRENT TRADING AND OUTLOOK**

For the first quarter 2009, total revenue is projected to increase approximately 25% to approximately \$13m (Q1 2009: \$10m). First quarter is historically the slowest quarter of the year due primarily to reduced international business travel in Greater China during January and February around the Chinese New Year, while fourth quarter is the most active. Accordingly, as with prior years, first quarter revenue is expected to be approximately 9% lower than fourth quarter 2009 (Q1 2009 was down 14% from Q4 2008). Multi-currency transaction volume is expected to rebound in March, as it typically has in the past, back up towards levels achieved in Q4 2009.

In 2010 we expect to launch our services in new markets in the United Arab Emirates and the Philippines and to continue to cross sell our existing and new innovative products to our acquiring institution customers and to their customers. The Company is well positioned for further growth in 2010 based on our own activities, as well as the potential for recovery in various regions around the world.

We look forward to an exciting 2010.

Philip Beck  
**Chairman and Chief Executive Officer**

**EXHIBIT 1.**

**Table 1. Reconciliation of Net Loss to Adjusted EBITDA**  
**For the three and twelve month periods ended December 31, 2009 and 2008**

	Three Months Ended		Year Ended	
	December 31		December 31	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net loss	\$ (0.9)	\$ (2.1)	\$ (4.0)	\$ (11.0)
Interest expense, net	0.3	0.4	1.2	1.0
Depreciation and amortization	0.4	0.3	1.5	1.2
Stock compensation expense	0.2	0.4	1.2	1.5
Income taxes	0.0	0.0	0.0	0.0
Other expenses	0.5	0.4	0.6	1.0
<b>Adjusted EBITDA</b>	<b>\$ 0.5</b>	<b>\$ (0.6)</b>	<b>\$ 0.5</b>	<b>\$ (6.3)</b>

## **FORWARD-LOOKING STATEMENTS**

Information contained in this report may include ‘forward-looking statements’. All statements other than statements of historical facts included herein, including, without limitation, those regarding the financial position, business strategy, plans and objectives of management for future operations of both Planet Payment and its business partners, are forward-looking statements. Such forward-looking statements are based on a number of assumptions regarding Planet Payment’s present and future business strategies, and the environment in which Planet Payment expects to operate in future, which assumptions may or may not be fulfilled in practice. Implementation of some or all of the new services referred to is subject to regulatory or other third party approvals. Actual results may vary materially from the results anticipated by these forward-looking statements as a result of a variety of risk factors, including the risks discussed under the heading “Risk Factors”. These forward-looking statements speak only as to the date of this report and cannot be relied upon as a guide to future performance. Planet Payment expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this report to reflect any changes in its expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

## **RISK FACTORS**

Risk factors that may affect the Company’s future prospects, performance and results, are referenced in the Company’s Admission document to the AIM market, which is available on its website at [www.planetpayment.com/Investor-Relations/Downloads.aspx](http://www.planetpayment.com/Investor-Relations/Downloads.aspx) . Some of the risk factors that investors or potential investors in Planet Payment’s securities should consider are summarized as follows:

- The business is still in a substantial growth phase, which makes it difficult to evaluate and forecast the Company’s future prospects.
- The Company has incurred losses since its inception and cannot guarantee that it will achieve profitability.
- The Company will require additional capital in the future to fund operations, or it may elect to raise additional capital if market conditions are favorable.
- The Company relies on third parties to implement the Company’s solutions and to market them to end customers, and cardholders may not adopt the Company’s services.
- Implementation, adoption and offering of the service by processors, acquirers, merchants and others may take longer than anticipated, or may not occur at all.
- The Company’s industry is highly competitive.
- The Company may face decreasing gross margins.
- Changes in the credit card industry, regulatory changes, particularly in the United States and China and changes in card association regulations and practices may impair the Company’s business.
- The Company is required to be registered with card associations in order to provide its services and the Company relies on bank sponsorship for this registration.
- Changes in credit card industry billing and disclosure of cross-currency transactions may impact the Company’s revenues and gross margins.
- Third parties claiming that the Company infringes their proprietary rights could cause the Company to incur significant legal expenses, for itself and on behalf of certain customers who are indemnified by the Company and prevent the Company from offering its services.
- The Company may be subject to litigation in the future.
- The Company may not be able to protect and enforce its contractual and intellectual property rights.
- Rapid technological change could render the Company’s services obsolete.
- The Company’s business exposes it to currency exchange risk.
- If the Company were to lose the services of its CEO or other members of its senior management team, the Company may not be able to execute its business strategy.
- The Company faces risks in foreign markets.

- Additional risks may arise with respect to commencing operations in new countries and regions of which the Company is not fully aware at this time.
- The Company could be subject to liability in the event of unauthorized disclosure of cardholder or transaction data.
- Merchant fraud or insolvency could, in some cases, negatively affect the Company's cash flows and operating results and result in liability to the Company.
- Adverse economic and other global conditions, general economic risks and decrease in volume of international travel and commerce could result in a decrease in transaction volumes.
- The Company relies on third party and organic new technology and systems; delays in development and implementation of new technology could delay revenues from the relevant projects or customers.
- The Company could face liability or termination of key contractual relationships in the event of a system failure or a failure to perform to contracted standards.
- Material past or future acquisitions made by the Company may have an adverse effect on its results.
- Additional risks may arise with respect to the recently acquired assets and assumed contracts of which Planet Payment is not fully aware at this time.
- The Company may be required to comply with U.S. federal securities law reporting and corporate governance regulations in the future, which would entail significant expense and could materially impair the Company's operating results.
- Securities traded on the AIM, Pink Sheets and OTCQX markets may involve greater risk, potentially greater volatility and lower liquidity than securities traded on other public markets.
- The Company is not currently subject to the same reporting requirements as companies whose stock is traded on other public markets.
- Ownership of the Company's Common Shares is concentrated among a small number of large shareholders, and substantial sales by these shareholders could depress the Company's stock price.

**EXHIBIT A**

**Audited Consolidated Financial Statements as of and for the Years Ended  
December 31, 2009 and 2008**

# ***Planet Payment, Inc.***

*Consolidated Financial Statements as of and for the years ended December 31,  
2009 and 2008, and Independent Auditors' Report*

# *Planet Payment, Inc.*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
Planet Payment, Inc.

We have audited the accompanying balance sheets of Planet Payment, Inc. and its subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2009 and 2008, 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.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's recurring losses and negative cash flows from operations raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 2 to the consolidated financial statements. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Deloitte Touche LLP*

March 22, 2010

**PLANET PAYMENT, INC.**

**CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,752,423	\$ 246,848
Restricted cash	1,000,000	504,733
Settlement assets	1,763,498	1,310,368
Accounts receivable, net	1,868,713	1,751,372
Prepaid expenses and other assets	271,850	175,084
Inventory	<u>1,028,305</u>	<u>1,222,530</u>
Total current assets	<u>9,684,789</u>	<u>5,210,935</u>
OTHER ASSETS:		
Property and equipment, net	992,633	1,179,154
Intangible assets, net	4,873,263	3,953,838
Notes receivable, net	-	212,629
Security deposits and other assets	<u>297,528</u>	<u>186,958</u>
Total other assets	<u>6,163,424</u>	<u>5,532,579</u>
<b>TOTAL</b>	<u>\$ 15,848,213</u>	<u>\$ 10,743,514</u>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 855,150	\$ 2,247,464
Due to merchants	1,763,498	1,310,368
Current maturities of long term debt	4,742,817	700,000
Due to affiliates	<u>-</u>	<u>7,430</u>
Total current liabilities	<u>7,361,465</u>	<u>4,265,262</u>
LONG TERM LIABILITIES:		
Long-term debt, less current maturities	56,476	4,000,000
Convertible debt	<u>8,979,926</u>	<u>9,080,080</u>
Total long-term liabilities	9,036,402	13,080,080
<b>Total liabilities</b>	<u>16,397,867</u>	<u>17,345,342</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Convertible preferred stock—4,000,000 shares authorized, \$0.01 par value:		
Series A—2,243,750 issued and outstanding in 2009 and 2008;		
\$8,975,000 aggregate liquidation preference	22,438	22,438
Common stock—70,000,000 shares authorized, \$0.01 par value,		
39,170,213 and 26,931,007, respectively, issued and outstanding		
Warrants	391,701	269,310
Additional paid-in capital	1,517,982	1,286,617
Accumulated deficit	73,969,455	64,243,699
	<u>(76,451,230)</u>	<u>(72,423,892)</u>
Total stockholders' deficit	<u>(549,654)</u>	<u>(6,601,828)</u>
<b>TOTAL</b>	<u>\$ 15,848,213</u>	<u>\$ 10,743,514</u>

See notes to consolidated financial statements.

**PLANET PAYMENT, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>REVENUE:</b>		
Multicurrency processing revenue	\$ 33,322,683	\$ 23,769,206
Processing revenue	13,817,675	12,349,023
Professional services revenue	114,348	70,381
	<u>47,254,706</u>	<u>36,188,610</u>
<b>COST OF SALES :</b>		
Multicurrency processing cost of sales	20,725,949	14,663,597
Processing cost of sales	10,197,993	10,020,842
Professional services cost of sales	38,893	27,960
	<u>30,962,835</u>	<u>24,712,399</u>
<b>GROSS PROFIT</b>	<u>16,291,871</u>	<u>11,476,211</u>
<b>OPERATING EXPENSES :</b>		
Compensation and benefits	10,365,438	11,670,510
Professional fees	2,247,626	2,896,309
Depreciation and amortization	1,456,042	1,166,309
Technology	1,229,888	1,519,952
Travel and entertainment	763,992	991,704
Facilities	1,552,401	1,450,512
Provision for doubtful accounts	14,997	600,000
Other	1,255,993	1,456,752
	<u>18,886,377</u>	<u>21,752,048</u>
<b>LOSS FROM OPERATIONS</b>	<u>(2,594,506)</u>	<u>(10,275,837)</u>
<b>OTHER INCOME (EXPENSE):</b>		
Interest income	18,702	140,191
Interest expense	(1,189,843)	(988,510)
Impairment charge on goodwill	-	(129,887)
	<u>(1,171,141)</u>	<u>(978,206)</u>
<b>LOSS FROM CONTINUING OPERATIONS</b>	(3,765,647)	(11,254,043)
<b>Gain (Loss) from discontinued operations</b>	<u>(257,596)</u>	<u>272,847</u>
<b>LOSS BEFORE PROVISION FOR INCOME TAXES</b>	(4,023,243)	(10,981,196)
<b>PROVISION FOR INCOME TAXES</b>	<u>4,095</u>	<u>1,681</u>
<b>NET LOSS</b>	<u>\$ (4,027,338)</u>	<u>\$ (10,982,877)</u>

See notes to consolidated financial statements.

# PLANET PAYMENT, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,027,338)	\$ (10,982,877)
Adjustments to reconcile net loss to net cash used in operating activities:		
Noncash compensation expense	1,213,659	1,487,493
Depreciation and amortization expense	1,456,042	1,166,309
Provision for doubtful accounts	14,997	600,000
Impairment charge for goodwill	-	129,887
Impairment of note receivable, net	212,629	(272,847)
Interest expense accrued on notes payable	34,174	-
Interest expense accrued on convertible debt	808,193	608,563
Interest expense accrued on long-term debt	337,926	338,887
Changes in Operating Assets and Liabilities:		
Increase in settlement assets	(453,130)	(1,310,368)
Increase in receivables and prepaid expenses	(229,105)	(970,640)
Decrease (increase) in other current assets	194,225	(479,754)
Decrease in security deposits and other assets	(110,570)	15,259
Decrease (increase) in note receivable	-	(212,629)
Increase (decrease) in accounts payable and accrued expenses	(797,452)	608,233
Increase in due to merchants	453,130	1,310,368
Decrease in due to affiliates	(7,430)	-
Net cash used in operating activities	<u>(900,050)</u>	<u>(7,964,116)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted cash	(495,267)	(504,733)
Proceeds from redemption of investments	-	6,000,000
Acquisition of business, net of cash acquired	-	(1,224,294)
Purchase of property and equipment	(184,544)	(237,362)
Capitalized internal projects	(1,386,777)	(1,062,180)
Purchase of intangible assets	<u>(617,628)</u>	<u>(552,582)</u>
Net cash (used in) provided by investing activities	<u>(2,684,216)</u>	<u>2,418,849</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	6,999,159	-
Proceeds from convertible debt	350,000	3,100,000
Proceeds from Loan Payable	119,449	-
Repayment of Loan Payable	(20,157)	-
Payment of capital-raising expense	(368,134)	-
Repayment of long-term debt	<u>-</u>	<u>(165,143)</u>
Net cash provided by financing activities	<u>7,080,317</u>	<u>2,934,857</u>
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	<u>9,523</u>	<u>32,519</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,505,575	(2,577,891)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>246,848</u>	<u>2,824,739</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 3,752,423</u>	<u>\$ 246,848</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	9,549	41,059
Income taxes paid	2,917	-
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:		
Convertible debt converted to common stock	450,000	-
Common stock issued to pay accrued interest	1,519,336	337,926
Common stock issued as payment of accounts payable	34,125	-
Warrants issued as payment of accounts payable	231,366	318,974

See notes to consolidated financial statements.

**PLANET PAYMENT, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	Preferred Stock \$0.01 Par Value— 4,000,000 Shares Authorized Series A		Common Stock \$0.01 par Value— 70,000,000 Shares Authorized		Additional Paid- In Capital	Warrants	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares Issued	Par Value	Shares Issued	Par Value				
BALANCE—January 1, 2008	<u>2,243,750</u>	<u>\$ 22,438</u>	<u>26,375,518</u>	<u>\$ 263,755</u>	<u>\$ 62,020,354</u>	<u>\$ 1,371,124</u>	<u>\$ (61,441,015)</u>	<u>\$ 2,236,656</u>
Stock issued			108,498	1,085	336,841			337,926
Warrants exercised			429,065	4,291	399,190	(403,481)		-
Options exercised			17,926	179	(179)			-
Value of warrants issued						318,974		318,974
Stock option expense					1,487,493			1,487,493
Net loss							(10,982,877)	(10,982,877)
BALANCE—DECEMBER 31, 2008	<u>2,243,750</u>	<u>\$ 22,438</u>	<u>26,931,007</u>	<u>\$ 269,310</u>	<u>\$ 64,243,699</u>	<u>\$ 1,286,617</u>	<u>\$ (72,423,892)</u>	<u>\$ (6,601,828)</u>
Stock issued			12,239,206	122,391	8,512,097			8,634,488
Options exercised						231,366		231,366
Value of warrants issued								
Stock option expense					1,213,659			1,213,659
Net loss							(4,027,338)	(4,027,338)
BALANCE—DECEMBER 31, 2009	<u>2,243,750</u>	<u>\$ 22,438</u>	<u>39,170,213</u>	<u>\$ 391,701</u>	<u>\$ 73,969,455</u>	<u>\$ 1,517,983</u>	<u>\$ (76,451,230)</u>	<u>\$ (549,654)</u>

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Business Description** — Planet Payment, Inc. (the “Company”) was incorporated in the State of Delaware in October 1999 as Planet Group, Inc. and changed its name to Planet Payment, Inc. on June 18, 2007. The Company enables processors, acquiring banks and merchants to accept, process, and reconcile credit card transactions in multiple currencies, allowing cardholders to view prices and settle transactions in their native currency. The *Pay in Your Currency*<sup>™</sup> service is the Company’s suite of multi-currency processing solutions, which includes a multi-currency pricing e-commerce service and a Dynamic Currency Conversion service. The Company’s *BuyVoice*<sup>™</sup>, a mobile payment and commerce solution, allows merchants to accept payments and sell product to customers using any mobile or landline phone. With the acquisition of the *iPAY*<sup>™</sup> business, the Company also offers comprehensive internet processing solutions for credit card and electronic check payments. On March 20, 2006, the Company’s common shares were admitted to trading on the London Stock Exchange’s Alternative Investment Market (AIM) market. On November 19, 2008, the Company’s common shares were also admitted to trading on the OTCQX market tier operated by Pink OTC Markets Inc in the United States.

The Company is a registered third-party processor for acquiring banks under Visa, MasterCard, Discover, American Express and JCB card association rules. Visa and MasterCard operating regulations require the Company to be sponsored by an acquirer in order to process card transactions; the Company has third party processor agreements with American Express and JCB. The Company is currently registered with Visa and MasterCard for each bank with which it has a processing agreement. Accordingly, although not a member of either card association (all members are banks), the Company is required to comply with all applicable card association rules.

**Principles of Consolidation** — The consolidated financial statements include the accounts of the Company, one wholly owned U.S. subsidiary and six wholly owned foreign subsidiaries located in Bermuda, Hong Kong, Ireland, Isle of Man, The People’s Republic of China and Singapore. All inter-company accounts and transactions are eliminated on consolidation.

**Foreign Currency Translation** — Statement of operations accounts are translated at the average exchange rates during the period. Assets and liabilities are translated at the balance sheet date exchange rates. The related adjustments for all accounts are included in net income. These amounts were \$22,729 and \$71,512 for 2009 and 2008, respectively.

**Cash and Cash Equivalents** — Cash and cash equivalents consist of cash and highly liquid instruments purchased with an original maturity of three months or less.

**Accounts Receivable** — The Company evaluates the collectability of its accounts receivable based on a combination of factors. In cases where the Company is aware of circumstances that may impair a specific customer’s ability to meet its financial obligations, an allowance is recorded against amounts due thereby reducing the net recognized receivable to the amount that the Company reasonably believes will be collected. For all other customers, the Company recognizes an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and historical experience. As of December 31, 2009 and December 31, 2008, the Company has included an allowance for doubtful accounts of approximately \$1.9 million due to certain receivables being subject to litigation (see Note 14).

**Inventory** – Certain payments made to Servebase Computers, Ltd. (“Servebase”) have been applied to the purchase of software licenses for resale. The licenses are for a point-of-sale credit card application that has been customized to the Company’s specifications, in order to support the Company’s multi-currency applications. Inventory is valued at the lower of cost or market price. Cost is arrived at using the first-in, first-out method. Market price is estimated based on anticipated sales of licenses.

**Property and Equipment** — Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Hardware	5 years
Software	5 years
Furniture and fixtures	5–7 years

Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the assets or the term of the underlying lease arrangements.

Expenditures for maintenance and repairs, which do not improve or extend the useful life of the respective asset, are charged to expense as incurred.

**Intangible Assets** — Intangible assets are recorded at cost less accumulated amortization. Intangible assets are being amortized on a straight-line basis over their estimated lives, as follows:

License agreements	7 years
Patents	15 years
Trademarks	15 years
Customer contracts	5 years
Capitalized projects	5 years

The Company performs an annual impairment test comparing the estimated fair value of the intangibles to their carrying value. No impairment was recorded for the years ended December 31, 2009 and, 2008.

The Company follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 350, *Intangibles, Goodwill and Other* (“ASC 350”). The Company develops software that is used in providing processing services to customers. Software development costs are capitalized once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning, designing, coding and testing activities that are necessary to determine that a product can be produced to meet its design specifications, including functions, features and technical performance requirements. Capitalization of costs ceases when the product is available for general use. Software development costs are amortized using the straight-line method over the estimated useful life of the software, which is generally five years. During the years ended, December 31, 2009 and 2008, the amount capitalized was \$1,386,777 and \$1,062,180, respectively.

**Security Deposits** — Security deposits are primarily held by landlords to cover rental obligations and are included in other assets in the consolidated financial statements.

**Restricted Cash** — Restricted cash is primarily held by processing partners where the Company holds a share of underwriting risk and for other potential liabilities under processing agreements and is included in other current assets in the consolidated financial statements.

**Due to Merchants** — Due to merchants represents funds collected on behalf of merchants using the iPAY gateway ACH product, which are held on average for three days before payment to the merchant, as part of our risk management procedures and the amount held is included in settlement assets and are included in current liabilities in the consolidated financial statements.

**Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of stock

options and warrants, provision for doubtful accounts, asset capitalization and impairment testing. Actual results could differ from those estimates.

**Revenue Recognition** — Processing revenue is based on the mark up and fees charged to customers for services provided in facilitating the sale of goods and services by means of credit and debit cards and does not include the gross sales price paid by the ultimate buyer. Revenues are recorded on a gross basis and offset by the associated costs of sales and are recognized at the time of settlement of the transactions.

Revenue from multi-currency processing is based on the margin earned on the conversion of credit card transactions from one currency into another currency. Multi-currency conversion revenue is recognized when the settlement proceeds of relevant credit card transactions are paid by the Card Associations to the relevant acquiring bank, with which the Company undertakes the multi-currency processing service.

Transaction based fees are earned at the time the transaction is submitted for processing. Administrative fees revenue comprises fixed monthly amounts, which are recognized at the time charged to each customer. Fees arising from referral of business to third-party processors are recognized upon receipt.

Certain members of the Company's point-of-sale software development team provide external development and consulting services to third parties under the name Planet Technology Services (PTS). The revenue associated with PTS is principally time and materials consulting revenue that is recognized when earned and invoiced.

**Income Taxes** — The Company accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which requires the recognition of deferred income taxes for differences between the bases of assets and liabilities for financial statement and income tax purposes. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

**Fair Value of Financial Instruments** — FASB ASC 825, *Financial Instruments*, requires certain disclosures regarding the fair value of financial instruments. Cash and cash equivalents, receivables, debt, accounts payable, due to merchants, accrued expenses and amounts due to affiliates are reflected in the consolidated financial statements at fair value because of the short-term nature of these instruments. The carrying value of the short term portion of the long term and convertible debt approximates fair value primarily due to the short term nature of the debt and because the interest rates applicable to the debt are consistent with current market rates.

**Stock Incentive Plan** — FASB ASC 718, *Compensation – Stock Compensation* (“ASC 718”) requires compensation cost related to share-based payments to employees to be recognized in the financial statements based on their fair value. This method requires that the provisions of ASC 718 be applied to new awards and awards modified, repurchased or cancelled after the effective date. See Note 11 for disclosure on the Company's stock incentive plan.

**Warrants** — The Company has issued detachable warrants to purchase common shares as part of certain debt instruments. These warrants have been accounted for as equity in accordance with the provisions of ASC 470-20, *Debt with Conversion and Other Options*. The fair value of the warrants is determined using the Black-Scholes Merton methodology. The fair value of the warrants is expensed to interest over the expected life of the loans. See Note 12 for disclosure on the Company's warrants.

**Recently Adopted Accounting Pronouncements** – In June 2009, the FASB issued *The FASB Accounting Standards Codification*<sup>TM</sup> (the Codification) which became the single authoritative U.S. accounting and reporting standards applicable for all nongovernmental entities, with the exception of guidance issued by the Securities and Exchange Commission (SEC). The Codification does not change

current U.S. GAAP, but changes the referencing of financial standards, and is intended to simplify user access to authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. The Codification is effective for interim and annual periods ending after September 15, 2009, and was effective for our third quarter of 2009. At that time, all references made to U.S. GAAP used the new Codification numbering system prescribed by the FASB.

The Codification does not change or alter existing U.S. GAAP and did not have any impact on our consolidated financial position, cash flows, or results of operations.

In May 2009, the FASB issued ASC 855, *Subsequent Events* (“ASC 855”). ASC 855 introduces the concept of financial statements being available to be issued and requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. ASC 855 is effective for reporting periods ending after June 15, 2009. The Company adopted ASC 855 on June 30, 2009 and its subsequent amendment in February 2010. Adoption of ASC 855 did not have a material impact on the Company’s consolidated financial statements.

In December 2007, the FASB issued ASC 805, *Business Combinations* (“ASC 805”). The new standard will significantly change the financial accounting and reporting of business combination transactions in the consolidated financial statements. It will require an acquirer to recognize, at the acquisition date, the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their full fair values as of that date. In a business combination achieved in stages (step acquisitions), the acquirer will be required to re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss in earnings. The acquisition-related transaction and restructuring costs will no longer be included as part of the capitalized cost of the acquired entity but will be required to be accounted for separately in accordance with applicable generally accepted accounting principles in the U.S. ASC 805 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this standard had no impact on our consolidated financial statements.

In December 2007, the FASB issued ASC 810, *Consolidation* (“ASC 810”). ASC 810 clarifies the classification of non-controlling interests in consolidated statements of financial position and the accounting for and reporting of transactions between a company and holders of such non-controlling interests. Under ASC 810, non-controlling interests are considered equity and should be reported as an element of consolidated equity. The current practice of classifying minority interests within a Mezzanine section of the statements of financial position will be eliminated. Under ASC 810, net income will encompass the total income of all consolidated subsidiaries and will require separate disclosure on the face of the statements of operations of income (loss) attributable to the controlling and non-controlling interests. Increases and decreases in the non-controlling ownership interest amount will be accounted for as equity transactions. When a subsidiary is deconsolidated, any retained, non-controlling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary must be measured at fair value. ASC 810 is effective for fiscal years beginning after December 15, 2008 and earlier application is prohibited. The adoption of this standard will have no impact on our consolidated financial statements.

## **2. GOING CONCERN**

The Company has incurred net operating losses during the years ended December 31, 2009 and 2008. During the year ended December 31, 2009, the Company’s operations were largely funded by equity capital and other financing including a March 2009 private placement of common shares that raised approximately \$3,000,000 (before expenses) and a November 2009 private placement of common shares that raised approximately \$4,000,000 (before expenses) (see Note 13). During the year ended December 31, 2009, additional merchant locations were launched in the United States, Canada, Greater China, India and Malaysia, which have resulted in an increase in the Company’s gross profit. During the year ended December 31, 2009, revenue and gross profit grew 31% and 42%, respectively, as compared to the year

ended December 31, 2008. Further new bank and merchant implementations are planned for the rest of 2010. The Company believes these implementations will have a positive impact on the Company's revenue and cash flows. The Company believes that the operating plans and implementations, together with the investment capital raised, will be sufficient to support the Company's current liquidity requirements, but there are no assurances that these plans and proposals will come to fruition and the ultimate ability of the Company to continue as a going concern is dependent on the Company achieving positive cash-flow from operations.

### 3. ACCOUNTS RECEIVABLE and PREPAID EXPENSES

A summary of receivables by major class is as follows at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Accounts receivable from banks and processors	\$ 3,750,407	\$ 3,585,954
Accounts receivable from others	<u>9,703</u>	<u>41,818</u>
Total accounts receivable	3,760,110	3,627,772
Less allowance for doubtful accounts	<u>1,891,397</u>	<u>1,876,400</u>
Accounts receivable, net	<u>\$ 1,868,713</u>	<u>\$ 1,751,372</u>

A summary of the activity in the allowance for doubtful accounts for the years ended December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 1,876,400	1,276,400
Additions to allowance	<u>14,997</u>	<u>600,000</u>
Ending balance	<u>\$ 1,891,397</u>	<u>\$ 1,876,400</u>

Prepaid expenses as of December 31, 2009 and 2008 of \$271,850 and \$175,084, respectively included costs attributable to the Company's support and service agreements.

### 4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 592,627	\$ 555,739
Computer hardware	1,246,602	1,143,730
Furniture and fixtures	174,138	181,025
Leasehold improvements	<u>331,228</u>	<u>314,251</u>
Subtotal	2,344,595	2,194,745
Less accumulated depreciation	<u>1,351,962</u>	<u>1,015,591</u>
Total	<u>\$ 992,633</u>	<u>\$ 1,179,154</u>

Depreciation expense amounted to \$371,062 and \$349,651 during the years ended December 31, 2009 and 2008, respectively. During 2009 and 2008 the Company had additions totaling \$184,544 and \$495,427 and dispositions totaling \$34,694 and \$0 respectively.

## 5. INTANGIBLE ASSETS AT DECEMBER 31, 2009 AND 2008

	2009	2008
Software:		
Costs	\$ 3,740,522	\$ 3,244,213
Accumulated amortization	<u>2,276,238</u>	<u>1,779,710</u>
	<u>\$ 1,464,284</u>	<u>\$ 1,464,503</u>
Trademarks and patents:		
Costs	\$ 581,760	\$ 460,455
Accumulated amortization	<u>105,834</u>	<u>65,397</u>
	<u>\$ 475,926</u>	<u>\$ 395,058</u>
Capitalized Projects:		
Costs	\$ 2,904,222	\$ 1,517,445
Accumulated amortization	<u>578,317</u>	<u>203,787</u>
	<u>\$ 2,325,905</u>	<u>\$ 1,313,658</u>
Customer Contracts:		
Costs	\$ 867,354	\$ 867,354
Accumulated amortization	<u>260,206</u>	<u>86,735</u>
	<u>\$ 607,148</u>	<u>\$ 780,619</u>
Intangible Assets (net)	<u>\$ 4,873,263</u>	<u>\$ 3,953,838</u>

The Company purchases third party software for use in its business. The costs of these purchases are capitalized as software. For 2009 and 2008, the amount capitalized was \$496,309 and \$533,434 respectively.

The Company incurs legal and government application and registration fees which are capitalized as trademark and patent costs. For 2009 and 2008, the amount capitalized was \$121,305 and \$112,585.

The capitalized projects met the characteristics of internal use software as set forth in Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Amounts capitalized are based on actual development hours incurred and the developers' average hourly rate. During 2009 and 2008, the amount capitalized was \$1,386,777 and \$1,062,180.

Acquired customer contracts were capitalized as part of the April 2008 iPay e-commerce processing business acquisition. The amount capitalized in 2008 was \$867,354.

Amortization expense for the years ended December 31, 2009 and 2008 was \$1,084,966 and \$816,658, respectively.

The estimated aggregate amortization expense for each of the next five years is as follows:

2010	1,177,921
2011	1,211,549
2012	1,033,552
2013	682,677
2014	350,881

## 6. LONG TERM DEBT

Long term debt at December 31, 2009 and 2008 consisted of the following:

	2009	2008
8% Note payable to Inter-Atlantic Fund, L.P. due November 2010. Interest is payable annually in cash or common stock at the Company's election. The Company issued one warrant exercisable for 3,053,435 shares of common stock as additional consideration for entering into the note. As long as the note remains outstanding and Inter-Atlantic chooses to exercise the warrant, in part or in full, the principal amount of note must be offset against the purchase price of the common stock under the warrant. The note and warrant are only assignable together.	\$ 4,000,000	\$ 4,000,000
9.29% Note payable to Hewlett Packard Financial Services Company, Principal and interest payable monthly through January 2014. The note is secured by the financed equipment.	34,988	-
18.59% Alternative Capital Financing Principal and interest payable monthly through August 2010 The loan is secured by financed software.	21,016	-
13.78% Alternative Capital Financing Principal and interest payable monthly through August 2012 The loan is secured by financed software.	43,289	-
Non-interest bearing amount from First Horizon Merchant Services, Inc. ("FHMS") and First Tennessee Bank National Association ("FTB") payable on demand. The advance is secured by the underlying cash flow associated with the contract in respect of which the advance was made.	660,000	660,000
Non-interest bearing amount from FHMS and FTB payable on demand. The advance is secured by the underlying cash flow associated with the contract in respect of which the advance was made.	<u>40,000</u>	<u>40,000</u>
	4,799,293	4,700,000
Less current portion	<u>4,742,817</u>	<u>700,000</u>
Long term portion	<u>\$ 56,476</u>	<u>\$ 4,000,000</u>

In June 2006 the Company received a request for repayment of the \$700,000 of debt which is payable on demand. The Company does not believe it is liable to repay such amount and no action has been taken by the creditor to collect it.

Total interest expense related to long term debt for the year ended December 31, 2009 and 2008 was \$337,926 and \$348,016, respectively. Accrued interest for the twelve months ended November 30, 2009 and 2008 was subsequently paid through the issuance of 521,745 common shares in 2009 (see Note 13).

## **7. CONVERTIBLE DEBT**

In February 2007, the Company issued a \$5 million five-year term note convertible into 2,272,727 common shares as part of a \$7.6 million private placing which included the issuance of 1,141,491 new common shares at a price of \$2.28 per share (equivalent to £1.16 per share). The note carries an interest rate of 8% per annum and is convertible at any time at the option of the Noteholders, or automatically upon the achievement by the Company of certain milestones, namely a qualified U.S. initial public offering (IPO) or the achievement of certain liquidity and market value in the trading of the Company's common shares. Interest is payable semi-annually commencing June 30, 2007, but at the Company's sole option, interest payments through December 31, 2008, totaling \$811,057 were capitalized and added to the principal amount. Also, at the Company's election, subject to specified conditions, at any time after January 1, 2009, interest may be payable in the form of common shares at the fair market value. As a result of the \$100,000 convertible note referred to below, the interest rate increased to 9% per annum.

In April 2008, concurrent with the iPay acquisition (Note 8), the Company issued a \$3 million convertible promissory note, with a four year term, convertible into 1,333,333 common shares at a conversion price of \$2.25 per share. The note carries an interest rate of 8% per annum and is convertible at any time at the option of the Noteholders, or automatically upon the achievement of certain milestones, namely a qualified U.S. IPO or the achievement of certain liquidity and market value in the trading of the Company's common shares. Interest is payable semi-annually commencing June 30, 2008, but at the Company's sole option, interest payments through December 31, 2008, totaling \$168,870 were capitalized and added to the principal amount. Also, at the Company's election, subject to specified conditions, at any time after January 1, 2009, interest may be payable in the form of common shares at the fair market value. As a result of the \$100,000 convertible note referred to below, the interest rate increased to 9% per annum.

In December 2008, the Company issued a \$100,000 convertible promissory note, with a five year term, convertible into 100,000 common shares at a conversion price of \$1.00 per share, to an existing shareholder. The Noteholder also received 25,000 warrants at an exercise price of \$1.00. In January and February 2009, the Company issued \$350,000 in convertible promissory notes, with a five year term, convertible into 350,000 common shares at a conversion price of \$1.00 per share, to existing shareholders. The Noteholders also received 87,500 warrants at an exercise price of \$1.00. The Company may prepay the unpaid balance of the notes at any time on or after July 31, 2009 (First Measurement Date) without prior consent of the Noteholders and without penalty. As a result of the March 2009 private placing, the conversion price of the notes and the exercise price under the Warrants were adjusted to \$0.45. The notes carry an interest rate of 8% per annum. The interest rate was to increase to 12% per annum after the First Measurement Date (which by subsequent agreement with the Noteholders was deferred to December 31, 2009) and adjust to a rate equal to the United States Prime Rate after June 30, 2010 (Second Measurement Date) if the notes are not prepaid before either date. The notes were convertible at any time at the option of the Noteholders, or automatically upon the Second Measurement Date at a conversion price of \$0.70 per share if the fair market value of the common shares is \$1.40 per share or higher. The notes shall automatically convert upon maturity at a conversion price of \$0.70 per share, or the fair market value of the common shares subject to a minimum conversion price of \$0.35 per share. Interest was payable upon the First Measurement Date, but at the Company's sole option, interest payments through July 31, 2009 totaling \$18,613 were capitalized and added to the principal amount. The Noteholders exercised their rights to convert the principal amount and all accrued interest under the notes to an aggregate of 1,076,283 common shares as of December 31, 2009 and the notes were discharged as paid in full as of that date.

Convertible debt as of December 31, 2008, was comprised of the following:

Principal	Accrued Capitalized Interest	Total Convertible Debt	Maturity Date	Interest Rate	Conversion Price
\$ 5,000,000	\$ 811,057	\$ 5,811,057	February 7, 2012	9%	\$2.20
\$ 3,000,000	\$ 168,870	\$ 3,168,870	April 21, 2012	9%	\$2.25
<u>\$ 100,000</u>	<u>\$ 153</u>	<u>\$ 100,153</u>	December 24, 2013	8%	\$1.00
\$ 8,100,000	\$ 980,080	\$ 9,080,080			

Convertible debt as of December 31, 2009, was comprised of the following:

Principal	Accrued Capitalized Interest	Total Convertible Debt	Maturity Date	Interest Rate	Conversion Price
\$ 5,000,000	\$ 811,056	\$ 5,811,056	February 7, 2012	9%	\$2.20
<u>\$ 3,000,000</u>	<u>\$ 168,870</u>	<u>\$ 3,168,870</u>	April 21, 2012	9%	\$2.25
\$ 8,000,000	\$ 979,926	\$ 8,979,926			

Total interest expense related to convertible debt for the years ended December 31, 2009 and 2008 was \$842,367 and \$608,563, respectively. The interest accrued for the year ended December 31, 2009 is not included in the above table. Of the interest expense for the period ended December 31, 2009, \$808,193 related to convertible notes issued in February 2007 and April 2008. In July 2009, the Company issued 609,679 new common shares at a price of £0.40 per share (approximately \$0.66) and as of December 31, 2009 the Company issued a further 240,187 new common shares at a price of £1.05 per share (approximately \$1.70) in payment of such interest on the notes.

## 8. ACQUISITIONS AND JOINT VENTURE / DISCONTINUED OPERATION

In January 2008, the Company terminated its joint venture with JourneyPay Limited by mutual agreement. As a result, in 2009 and 2008 the Company no longer contributed capital to the joint venture business and no longer consolidates the results of the joint venture's operations. Processing of transactions for JourneyPay continues under a prior processing agreement. In November 2008, the Company entered into an amendment Agreement and sold its interest in the joint venture to JourneyPay Limited for consideration of a note receivable in the amount of \$212,629 repayable with interest at a rate of 7% per annum over a period of approximately five years. This note receivable (including accrued interest) in the amount of \$257,596 was subsequently written off as uncollectable in 2009 and is included in the Gain (Loss) from discontinued operations.

In April 2008, the Company acquired certain assets relating to the former iPay e-commerce processing business. The consideration was \$1,000,000 paid in cash upon closing. In addition, the Company incurred \$224,294 in additional costs; \$120,608 in assumed liabilities under contracts which were assigned as part of the transaction and \$103,686 in legal costs, thereby raising the total cost of the transaction to approximately \$1.22 million. The assets purchased consisted of hardware and equipment, software, licenses and intellectual property. The contracts assumed include contracts relating to a direct merchant acquiring portfolio and agent bank acquiring portfolio. In addition, the Company entered into a new lease of premises in New Castle, Delaware, where the business is based, for a period expiring October 2011, subject to a right to renew, at an initial rental of approximately \$312,000 per annum.

The assets purchased are as follows:

Hardware	\$	159,698
Software		98,875
Other Fixed Assets		98,367
Intangible Asset - Customer Contracts		867,354
Net assets acquired	\$	<u>1,224,294</u>

## 9. OTHER OPERATING EXPENSE

The other operating expense is comprised of insurance, telecommunications, general & administrative and marketing expenses which for the years ended December 31, 2009 and 2008 totaled \$1,255,993 and \$1,456,752.

## 10. RELATED-PARTY TRANSACTIONS

During the years ended December 31, 2009 and 2008, the Company incurred the following general and administrative expenses to three affiliated companies that are principally owned by executives, directors or stockholders of the Company (N & A Consulting LLC, Synergy Corporate Technologies Ltd., and BDP Realty Associates LLC):

	2009	2008
Rent	\$ 463,936	\$ 416,047
Consulting / Professional Fees	-	\$ 161,267

Rent expense is included in the facilities expense on the Consolidated Statement of Operations.

## 11. STOCK INCENTIVE PLAN

The Board of Directors and Stockholders approved a new equity incentive plan ("2006 Equity Incentive Plan" or "Plan") in January 2006. The Remuneration Committee of the Board of Directors (the "Committee") administers the Plan. Employees and certain contractors, who in the judgment of the Committee render significant service to the Company, are eligible to participate.

Under the terms of the Plan, participants may be granted restricted shares or options to purchase the Company's common stock at the fair market value on the date the option is granted. Options granted generally vest equally over three years and expire ten years after the grant date. At December 31, 2009 and December 31, 2008, a total of 6,793,299 and 6,851,397 shares, respectively, were reserved for issuance under the Plan. No restricted shares have been issued as of December 31, 2009 and of the stock options granted in 2008 and 2009, none were at a strike price lower than the market price at the time of the grant. At December 31, 2009, 1,505,756 common shares remained available for future stock option and restricted stock awards under the Plan.

Stock option plan activity for the years ended December 31, 2009 and 2008 was as follows:

	Options	Weighted-Average Exercise Price
Balance—January 1, 2008	5,883,339	\$ 2.75
Granted	1,462,325	1.48
Exercised	(17,926)	1.67
Cancelled	(314,646)	3.98
Forfeited	<u>(161,695)</u>	<u>2.88</u>
Balance— December 31, 2008	6,851,397	\$ 2.44
Granted	348,500	1.52
Exercised	-	-
Cancelled	(229,139)	2.46
Forfeited	<u>(177,459)</u>	<u>3.01</u>
Balance—December 31, 2009	6,793,299	\$ 2.36
Options exercisable at December 31, 2008	<u>4,410,228</u>	<u>\$ 2.26</u>
Options exercisable at December 31, 2009	<u>5,535,148</u>	<u>\$ 2.32</u>

**Options Outstanding at December 31, 2009**

Exercise Price	Number Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number Exercisable
\$ 0.60	115,000	\$ 0.60	2.2	115,000
1.20	1,195,373	1.20	8.5	1,170,375
1.28	99,000	1.28	9.5	-
1.65	200,000	1.65	9.5	-
1.75	24,500	1.75	9.5	-
2.50	2,987,529	2.50	5.1	2,899,030
2.53	334,167	2.53	6.5	280,833
2.88	705,638	2.88	6.5	488,229
3.01	828,925	3.01	7.6	290,514
3.05	19,167	3.05	7.5	7,167
3.07	75,000	3.07	7.5	75,000
4.00	50,000	4.00	5.5	50,000
4.40	<u>159,000</u>	4.40	1.3	<u>159,000</u>
	<u>6,793,299</u>	<u>\$ 2.36</u>		<u>5,535,148</u>

The Company's Plan provides for acceleration of exercisability of the options upon the occurrence of certain events related to a change in control, merger, and sale of assets or liquidation of the Company.

FASB ASC 718 requires compensation cost related to share-based payments to employees to be recognized in the financial statements based on their fair value. Under the public company standard, companies must adopt FASB ASC 718 using the modified prospective application method. This method requires companies to (1) record compensation cost for the unvested portion of previously issued stock option awards that remain outstanding at the initial date of adoption and (2) record compensation cost for any awards issued, modified, repurchased or cancelled after the effective date of FASB ASC 718. For the year ended December 31, 2009, the Company incurred total share-based expense of \$1,213,659; \$1,096,588 related to employee compensation and \$117,071 related to non-employee directors and professionals. For the year ended December 31, 2008, the Company incurred total share-based expense of \$1,487,493; \$1,249,394 related to employee compensation and \$238,099 related to non-employee directors and professionals. As of December 31, 2009, the total remaining unrecognized compensation expense related to the Company's unvested stock options was \$595,545. This unrecognized compensation expense is expected to be recognized over a weighted-average period of one year.

For awards granted in 2008 and 2009, the Company used the Black-Scholes model for valuation. Assumptions, including volatility, term and risk-free rate, utilized in the model were provided by or confirmed by an independent entity. Since the Company had little historical information regarding the volatility of its share price, estimated volatility was based on the historic volatility of comparative companies from the same industry. The Company believes that its historical share option experience does not provide a reasonable basis upon which to estimate expected term. Following the guidance of SAB ASC Topic 14, *Share-Based Payment*, the Company used a “simplified” method to determine expected term based on the vesting and original contractual terms. The valuation for stock option awards for the year ended December 31, 2009 and 2008 was:

Award Date	February <u>2008</u>	May <u>2008</u>	June <u>2008</u>	December <u>2008</u>
Exercise Price	\$3.01	\$2.50	\$2.50	\$1.20
Implied Volatility	39.21%	37.68%	36.61%	36.67%
Expected Term (years)	6.5	6.5	6.5	5.3
Risk-Free Rate	3.21%	3.47%	3.77%	1.89%
Fair Value per Share of Stock Option	\$1.35	\$1.10	\$1.10	\$0.43

Award Date	May <u>2009</u>	October <u>2009</u>	November <u>2009</u>	December <u>2009</u>
Exercise Price	\$1.20	\$1.28	\$1.65	\$1.75
Implied Volatility	36.50 - 36.81%	36.17%	36.15%	35.43%
Expected Term (years)	5.6 - 6.0	5.5	6.0	5.8
Risk-Free Rate	2.31 - 2.47%	2.57%	2.40%	2.47%
Fair Value per Share of Stock Option	\$0.10 - 0.11	\$0.48	\$0.64	\$0.66

## 12. WARRANTS

The Company had outstanding warrants to purchase 3,785,328 shares of common stock as of December 31, 2009, in addition to the stock options granted under the stock incentive plan.

Warrant activity for the years ended December 31, 2009 and 2008 was as follows:

	Warrants	Weighted-Average Exercise Price
Balance— January 1, 2008	6,398,821	\$ 1.72
Granted	110,059	0.42
Exercised	(429,065)	0.94
Cancelled	<u>(1,553,416)</u>	<u>2.24</u>
Balance— December 31, 2008	<u>4,526,399</u>	<u>\$ 1.57</u>
Granted	149,198	0.37
Exercised	-	-
Cancelled	<u>(890,269)</u>	<u>1.73</u>
Balance— December 31, 2009	<u>3,785,328</u>	<u>\$ 1.50</u>
Warrants exercisable—December 31, 2008	<u>4,526,399</u>	<u>\$ 1.57</u>
Warrants exercisable—December 31, 2009	<u>3,785,328</u>	<u>\$ 1.50</u>

**Warrants Outstanding at December 31, 2009**

Exercise Price	Number Outstanding	Weighted - Average Exercise Price	Weighted-Average Remaining Life (Years)	Number Exercisable
0.25	215,402	0.25	3.5	215,402
0.45	112,500	0.45	4.3	112,500
1.31	3,053,435	1.31	0.8	3,053,435
2.50	220,903	2.50	3.8	220,903
5.50	<u>183,088</u>	<u>5.50</u>	3.8	<u>183,088</u>
	<u>3,785,328</u>	<u>\$ 1.50</u>		<u>3,785,328</u>

During the years ended December 31, 2009 and 2008, the Company issued 61,698 and 85,059 warrants respectively with an exercise price of \$0.25 per share as partial payment for legal services rendered and recognized an expense of \$231,365 and 318,974 respectively. These expenses are included in Professional fees on the Consolidated Statements of Operations.

### 13. CAPITAL STOCK

During the year ended December 31, 2009, the Company issued 521,745 new common shares, in payment of \$676,816 of accrued interest upon long term debt.

During the year ended December 31, 2009, the Company issued 849,866 new common shares, in payment of \$808,193 of accrued interest upon the convertible debt, which remains outstanding as of December 31, 2009.

The Company issued 1,076,283 new common shares, in payment of \$484,327 of principal and accrued interest on the convertible debt, which was converted and discharged as of December 31, 2009

On March 16, 2009, the Company completed a private placing of 6,659,000 new common shares at a price of GBP £0.32 per share (approximately US\$0.45 per share) raising approximately \$3 million (before expenses). The common shares were issued to institutional and other investors. The net proceeds of this private placing provided additional working capital.

In May 2009, a director was issued 56,312 new common shares at a price of GBP £0.40 (approximately US\$0.61 per share) in lieu of payments of director's fees owed to him for past services.

On November 4, 2009, the Company completed a private placing of 3,076,000 new common shares at a price of US\$1.30 per share (approximately GBP£0.80 per share) raising approximately \$4 million (before expenses). The common shares were issued to institutional and other investors. The net proceeds of this private placing provided additional working capital.

The terms on the Company's various classes and series of capital stock are summarized as follows:

**Series A Convertible Preferred Stock** —The Series A preferred stock had the following right as of December 31, 2009:

**Liquidation Preference** — The holders of the Series A preferred stock are entitled upon a liquidation event, to receive back their original investment, in priority to any return of capital to all other stockholders, with no further participation.

**Common Stock** — The common stockholders are entitled to a distribution of all remaining assets (which may be more or less than the original investment), on a proportionate basis, in the event of the dissolution or winding up of the Company, after payment of all liabilities of the Company and the liquidation preference of all series of preferred stock then outstanding. The common stock has no conversion or redemption rights. The common stock is entitled to one vote per share at all general meetings of the

Company. The common stockholders are entitled to share in all dividends and distributions, which may be declared by the Company, on a proportionate basis with all other classes and series of stock outstanding.

#### 14. COMMITMENTS AND CONTINGENCIES

**Leases**—The Company leases office facilities under operating leases expiring at various dates through December 2016. One of the operating leases, which was entered into on August 15, 2005, is from a related company, BDP Realty Associates, LLC. Minimum future lease payments due on the non-cancelable operating leases in excess of one year are as follows:

2010	\$ 1,106,543
2011	\$ 869,787
2012	\$ 414,336
2013	\$ 421,941
Thereafter	\$ 1,343,303

Rental expense amounted to \$1,284,851 and \$1,193,072 during the years ended December 31, 2009 and 2008, respectively. Rent is included in facilities expense on the Consolidated Statement of Operations.

**Service Agreements**—The Company has entered into seven agreements for technology, consulting and processing services expiring at various dates through 2013. Future minimum payments due on the service agreements are as follows:

2010	\$ 448,596
2011	\$ 254,211
2012	\$ 72,337
2013	\$ 21,780

#### **Contingent Liabilities**

In certain instances, the Company bears a risk that a merchant may engage in fraud by submitting for payment certain credit card transactions that have been manipulated, are fictitious, or are otherwise not bona fide. Similarly, the Company sometimes bears the risk that a merchant becomes insolvent, owing money to Cardholders. To the extent that such fraud or insolvency occurs in circumstances where the Company is liable to make good any resultant losses, this could negatively affect the Company's operating results and cash flows. The Company has required merchants to post cash reserves with the acquirer against such liabilities and has itself paid the acquirer a security deposit in connection therewith, as shown on the consolidated balance sheets. Under FASB ASC 460, *Guarantees*, the Company evaluates its ultimate risk and records an estimate of potential loss for chargebacks related to merchant fraud based upon an assessment of actual historical fraud loss rates compared to recent bank card processing volume levels. No contingent liability has been recorded as of December 31, 2009 as the risk of loss is considered remote.

In June 2006, the Company received a request for repayment of the \$700,000 long-term debt which is payable on demand. The Company does not believe it is liable to repay such amount due to a dispute and no action has been taken by the creditor to collect it.

**Outstanding Litigation** - The Company is involved in litigation arising in the normal course of business. Although the amount of any ultimate liability arising from these matters cannot presently be determined, the Company does not anticipate that any such liability will have a material effect on the Company's consolidated financial position or results of operations. The Company has commenced proceedings in the United States against various parties seeking to recover receivables and other sums owed arising from breaches of contract and related wrongful acts and omissions. The Company has reserved \$1.9 million as of December 31, 2009 and 2008, as allowance for these doubtful accounts.

## 15. INCOME TAXES

The income tax provision for the years ended December 31, 2009 and 2008 consisted of the following:

	2009	2008
Current:		
Federal	\$ -	\$ -
State	<u>4,095</u>	<u>1,681</u>
Total tax provision	<u>\$ 4,095</u>	<u>\$ 1,681</u>

The Company has incurred net operating losses since inception and thus has not recorded any Federal tax expense. The Company has recorded applicable minimum state income taxes due. There are no federal, state or foreign current or deferred tax liabilities.

A reconciliation of the statutory income tax to the effective income tax provision is as follows:

	2009	2008
Tax benefit at statutory rate (34%)	\$ (1,724,094)	\$ (2,944,594)
State tax—net of federal tax benefit	4,095	1,681
Valuation allowance	<u>\$ 1,724,094</u>	<u>\$ 2,944,594</u>
	<u>\$ 4,095</u>	<u>\$ 1,681</u>

The major sources of temporary differences and their deferred tax effect at December 31, 2009 and 2008, were as follows:

	2009	2008
Depreciation	\$ (384,892)	\$ (574,637)
Stock Options	1,484,009	1,120,757
Provision for doubtful accounts	637,976	637,976
Deferred Asset / Net operating loss carryforwards	<u>21,838,033</u>	<u>20,113,939</u>
Total net deferred tax assets	23,575,126	21,298,035
Less valuation allowance	<u>(23,575,126)</u>	<u>(21,298,035)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The Company has provided a valuation allowance to fully offset the amount of the net deferred asset due to continued operating losses. Management's conclusion is that it is not more likely than not that the Company would be able to realize its deferred tax assets as of December 31, 2009.

The foreign subsidiaries have a net operating loss in respect of which a full valuation allowance has been established.

The Company has available, at December 31, 2009, unused operating loss carry-forwards of \$64,229,509, which may be applied against future taxable income expiring in various years from 2020 through 2029.

## 16. CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at financial banking institutions that are insured by the Federal Depository Insurance Corporation ("FDIC") up to \$250,000 as of December 31, 2009 and 2008. The Company also maintains cash balances at foreign banking institutions, which are not insured by the FDIC. At December 31, 2009 and 2008, the Company's uninsured cash balances totaled \$2,986,036 and \$0, respectively.

During the years ended December 31, 2009 and 2008, one and three of the Company's customers each accounted for greater than 10% of total revenue, respectively, representing approximately 38% and 51% of the total revenue, respectively, as follows:

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Customer A	*	18 %
Customer B	*	10
Customer C	<u>38</u>	<u>23</u>
	<u>38 %</u>	<u>51 %</u>

\* Customers' revenue represented less than 10% of total revenue

## 17. LOSS PER SHARE

### *Computation of Loss per Common Share*

Basic loss per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted loss per common share is computed using the weighted-average number of common and dilutive common equivalent shares outstanding during the period. Dilutive common equivalent shares consist primarily of preferred shares, warrants, stock options and convertible debt. Due to the Company's net loss for all periods presented, the diluted loss calculation is not provided, in that the results of this calculation would be anti-dilutive.

The basic loss per share is calculated on the following data:

	<u>2009</u>	<u>2008</u>
Weighted average number of common shares (for basic loss per share)	33,725,727	26,720,171
Potential dilutive ordinary shares:		
Preferred shares	6,851,144	6,851,144
Warrants	4,279,472	5,423,118
Stock incentive plan	6,605,583	5,826,661
Convertible debt	4,867,730	3,513,608
Diluted basis	<u>56,329,656</u>	<u>48,334,702</u>
Loss from continuing operations, net of tax	\$ (3,769,742)	\$ (11,255,724)
Gain (loss) from discontinued operations, net of tax	(257,596)	272,847
Net loss	<u>\$ (4,027,338)</u>	<u>\$ (10,982,877)</u>
Basic loss per share	<u>(\$0.11)</u>	<u>(\$0.41)</u>
Basic earnings (loss) per share from discontinued operations and write-off of note receivable, net	<u>(0.01)</u>	<u>0.01</u>
Basic loss per share	<u>(\$0.12)</u>	<u>(\$0.41)</u>

## 18. SUBSEQUENT EVENTS

We evaluated subsequent events through March 22, 2010, the date on which these financial statements were finalized. There were no events or transactions occurring during this subsequent event reporting period that require recognition or disclosure in the financial statements.

\* \* \* \* \*

**EXHIBIT B**

**Amended and Restated Certificate of Incorporation filed on June 8, 2009**

# Delaware

PAGE 1

*The First State*

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "PLANET PAYMENT, INC.", FILED IN THIS OFFICE ON THE EIGHTH DAY OF JUNE, A.D. 2009, AT 2:41 O'CLOCK P.M.

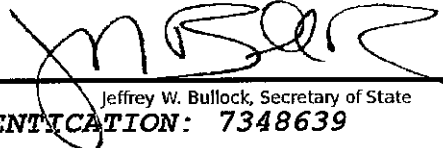
A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

3109568 8100

090597456



You may verify this certificate online  
at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

  
Jeffrey W. Bullock, Secretary of State  
AUTHENTICATION: 7348639

DATE: 06-08-09

AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
PLANET PAYMENT, INC.

Planet Payment, Inc. a corporation organized and existing under the laws of the State of Delaware (the "*Corporation*") hereby certifies as follows:

**FIRST** The name of the corporation is Planet Payment, Inc., and it is a Delaware corporation. The original certificate of incorporation was filed with the Secretary of State on October 12, 1999 under the name "Planet Group, Inc."

**SECOND** This Amended and Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Corporation's Certificate of Incorporation as heretofore amended or supplemented. This Certificate has been duly adopted in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, by resolutions of the directors and stockholders of the Corporation.

**THIRD** The Certificate of Incorporation of the Corporation is hereby amended and restated to read in its entirety, as follows:

1. The name of the Corporation is Planet Payment, Inc.
2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.
3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.
4. The total number of shares of stock, which the Corporation shall have authority to issue is 70,000,000 shares of Common Stock of \$0.01 par value each ("*Common Stock*") and 4,000,000 shares of Convertible Preferred Stock of \$0.01 par value each ("*Preferred Stock*"). The Preferred Stock shall have attached thereto all such rights and privileges as may be determined by resolution of the Board of Directors of the Corporation, prior to the issuance thereof and as set forth in a Certificate of Designation relating to the Preferred Stock to be executed and filed pursuant to Section 151(g) of the General Corporation Law of the State of Delaware. As of the date of filing of this Amended and Restated Certificate of Incorporation, an aggregate of 2,243,750 shares of Preferred Stock have been designated as "Series A Preferred Stock", with the rights, preferences, privileges and restrictions set forth on the Certificate of Designation attached hereto as Exhibit A.
5. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders,

(ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit.

6. Any amendment, alteration or repeal of any provision of, or addition of any provision to, the Corporation's certificate of incorporation, or any other action which would adversely affect the rights of holders of the Common Stock with respect to voting, dividends, liquidation preferences, conversion or redemption, shall not be adopted or effected unless approved by (i) the holders of shares of Common Stock, present in person or by proxy at any meeting of stockholders duly called and held, carrying not less than 67% of the votes of shares of Common Stock held by persons present in person or by proxy at such meeting; or (ii) a written resolution relating to such matters signed by the holders of not less than 67% of the issued and outstanding shares of Common Stock in the Company.

IN WITNESS WHEREOF, said corporation has caused this Amended and Restated Certificate of Incorporation to be signed by its duly authorized officer this 8th day of June, 2009 and the foregoing facts stated herein are true and correct.

**PLANET PAYMENT, INC.**

By: /s/ Philip D. Beck

Name: Philip D. Beck

Title: President/CEO

Exhibit A

**CERTIFICATE OF DESIGNATION OF  
SERIES A PREFERRED STOCK OF  
PLANET PAYMENT, INC.**

**A. Designation and Amount.** Of the 4,000,000 shares of Preferred Stock, par value \$0.01 per share, authorized to be issued by this corporation, 2,243,750 shares are hereby designated as "Series A Preferred Stock." Such number of shares may be increased or decreased by resolution of the Corporation's Board of Directors, provided that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding.

**B. Rights, Preferences and Restrictions of Series A Preferred Stock.** The rights, preferences, privileges and restrictions granted to and imposed on the Series A Preferred Stock are as follows:

**1. Definitions.**

- (a) "**Board**" shall mean the Board of Directors of the Corporation.
- (b) "**Corporation**" shall mean this corporation.
- (c) "**Common Stock**" shall mean the Common Stock, \$0.01 par value, of the Corporation.
- (d) "**Common Stock Dividend**" shall mean a stock dividend declared and paid on the Common Stock that is payable in shares of Common Stock.
- (e) "**Common Stock Even**" shall mean (i) the issue by the Corporation of additional shares of Common Stock as a Common Stock Dividend or other distribution on outstanding Common Stock, (ii) a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock, or (iii) a combination of the outstanding shares of Common Stock into a smaller number of shares of Common Stock.
- (f) "**Conversion Price**" shall mean \$1.31 as of the date of filing of this Amended and Restated Certificate of Incorporation, as adjusted pursuant to Section 4.4 below.
- (g) "**Convertible Securities**" shall mean stock or other securities convertible into or exchangeable for shares of Common Stock.
- (h) "**Merger**" shall mean a consolidation or merger (or similar transaction or series of transactions) of the Corporation with or into any other corporation or corporations or the sale of all of the capital stock of the Corporation in a single transaction or series of related transactions, in each case under circumstances in which the holders of the Corporation's outstanding shares immediately before such transaction or series of related transactions do not,

immediately after such transaction or series of related transactions, retain stock representing a majority of the voting power of the surviving corporation (or its parent corporation if the surviving corporation is wholly owned by the parent corporation) of such transaction or series of related transactions, on account of the shares of capital stock of the Corporation held by them immediately prior to such transaction or series of related transactions.

(i) "**Original Issue Date**" shall mean November 10, 2004, the date on which the first share of Series A Preferred Stock was issued by the Corporation.

(j) "**Original Issue Price**" shall mean \$4.00, which is the price per share for the Series A Preferred Stock paid by the Purchasers in Section 1 of the Subscription Agreement (as defined below), as adjusted to the extent necessary to reflect any Preferred Stock Event.

(k) "**Preferred Stock**" shall mean the Series A Preferred Stock and any other series of Preferred Stock authorized under the Certificate of Incorporation of the Corporation.

(l) "**Preferred Stock Event**" shall mean any of the following events occurring after the Original Issue Date: (A) the issuance by the Corporation of additional shares of Series A Preferred Stock as a dividend or other distribution on the outstanding shares of Series A Preferred Stock, (B) a subdivision of the outstanding shares of Series A Preferred Stock into a greater number of shares of Series A Preferred Stock, (C) a combination of the outstanding shares of Series A Preferred Stock into a small number of shares of Series A Preferred Stock, and (D) the conversion or exchange of the outstanding shares of Series A Preferred Stock into a different number of shares of some other class or classes of stock whether by recapitalization, reclassification or otherwise; provided, however, that in no event shall a Preferred Stock Event be deemed to include any liquidation, dissolution or winding up of the Corporation provided for in Section 2 or any conversion or other adjustment event described in Section 4.

(m) "**Rights or Options**" shall mean warrants, options or other rights to purchase or acquire shares of Common Stock or Convertible Securities.

(n) "**Series A Preferred Stock**" shall mean the Series A Preferred Stock, \$0.01 par value per share, of the Corporation.

(o) "**Subscription Agreement**" shall mean that certain Subscription Agreement dated November 10, 2004, among the Company and the persons and entities listed on Schedule 1 thereto, as amended by that certain letter agreement dated October 31, 2005, as further amended from time to time. The Subscription Agreement is incorporated by reference into this Certificate of Designation. A copy of the Subscription Agreement is on file in the office of the Secretary of the Corporation, and may be obtained by holders of Series A Preferred Stock upon written request to the Secretary of the Corporation.

(p) "**Valuation**" shall have the meaning ascribed to such term in the Subscription Agreement.

2. **Liquidation Rights.** In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the funds and assets that may be legally



exchange or the Nasdaq National Market (or a similar national quotation system), then the value shall be deemed to be the average of the closing prices of the securities on such exchange or system over the 30 day period ending three days prior to the distribution; and

(ii) if (i) above does not apply but the securities are actively traded over-the-counter, then, unless otherwise specified in a definitive agreement for the acquisition of the Corporation, the value shall be deemed to be the average of the closing bid prices over the 30 calendar day period ending three (3) trading days prior to the distribution; and

(iii) if there is no active public market as described in clauses (i) or (ii) above, then the value shall be the fair market value thereof, as determined in good faith by the Board.

(b) The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be to make an appropriate discount from the market value determined as above in subparagraphs (a)(i), (ii) or (iii) of this subsection to reflect the approximate fair market value thereof, as determined in good faith by the Board.

### 3. Voting Rights.

3.1 Voting Generally. Each holder of shares of Series A Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which such shares of Series A Preferred Stock could be converted pursuant to the provisions of Section 4 at the record date for the determination of the stockholders entitled to vote on such matters or, if no such record date is established, the date such vote is taken or any written consent of stockholders is solicited. Subject to the other provisions of this Certificate of Incorporation, each holder of Series A Preferred Stock shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of the Corporation (as in effect at the time in question) and applicable law, and shall be entitled to vote, together with the holders of Common Stock, with respect to any question upon which holders of Common Stock have the right to vote, except as may be otherwise provided by applicable law. Except as otherwise expressly provided herein or as required by law, the holders of Series A Preferred Stock shall vote together with the holders of shares of other series of Preferred Stock and the holders of Common Stock, and not as a separate series or class.

4. Conversion Rights. The outstanding shares of Series A Preferred Stock shall be convertible into Common Stock as follows:

4.1 Optional Conversion. At the option of the holder thereof, each share of Series A Preferred Stock shall be convertible, at any time or from time to time, into fully paid and nonassessable shares of Common Stock as provided herein. Each holder of Series A Preferred Stock who elects to convert the same into shares of Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or any transfer agent for the Series A Preferred Stock or Common Stock, and shall give written notice to the Corporation at such office that such holder elects to convert the same and shall state therein the number of shares of Series A Preferred Stock being converted. Thereupon the Corporation shall



provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of Series A Preferred Stock at the holder's address as shown in the Corporation's books.

4.10 Fractional Shares. No fractional shares of Common Stock shall be issued upon any conversion of Series A Preferred Stock. In lieu of any fractional share to which the holder would otherwise be entitled, the Corporation shall pay the holder cash equal to the product of such fraction multiplied by the Common Stock's fair market value as determined in good faith by the Board as of the date of conversion.

4.11 Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of Series A Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series A Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Series A Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

4.12 Notices. Any notice required by the provisions of these Certificate of Incorporation to be given to the holders of shares of Series A Preferred Stock shall be deemed given upon the earlier of actual receipt or deposit in the United States mail, by certified or registered mail, return receipt requested, postage prepaid, or delivery by a recognized express courier, fees prepaid, addressed to each holder of record at the address of such holder appearing on the books of the Corporation.

4.13 No Impairment. The Corporation shall not avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but shall at all times in good faith assist in carrying out all such action as may be reasonably necessary or appropriate in order to protect the rights, preferences and privileges of the holders of Series A Preferred Stock against impairment.

5. Dividends. If the Board declares and pays any dividend on the Common Stock, such dividend shall also be declared and paid on each outstanding share of Series A Preferred Stock based on the number of whole shares of Common Stock into which such share of Series A Preferred Stock then could be converted pursuant to the provisions of subsection 4.1. Except as provided in the preceding sentence, holders of Series A Preferred Stock shall not be entitled to receive any dividends. No rights or interest shall accrue to the holders of the Series A Preferred Stock by reason of the fact that the Corporation shall fail to declare or pay dividends on the Common Stock or Series A Preferred Stock in any calendar year or any fiscal year of the Corporation, whether or not the earnings of the Corporation in any calendar year or fiscal year were sufficient to pay such dividends in whole or in part.

6. Reserved.

7. Miscellaneous.

7.1 No Reissuance of Series A Preferred Stock. No share or shares of Series A Preferred Stock acquired by the Corporation by reason of purchase, conversion or otherwise shall be reissued, and all such shares shall be cancelled, retired and eliminated from the shares which the Corporation shall be authorized to issue.

7.2 Preemptive Rights. No stockholder of the Corporation shall have a right to purchase shares of capital stock of the Corporation sold or issued by the Corporation except to the extent that such a right may from time to time be set forth in a written agreement between the Corporation and a stockholder.

7.3 Adjustments for Stock Splits, Etc. Except as otherwise required by law, wherever in this Certificate of Designation there is a reference to a specific number of shares Series A Preferred Stock, then, upon the occurrence of any Common Stock Event or Preferred Stock Event, the specific number of shares so referenced herein shall automatically be proportionally adjusted to reflect the effect on the outstanding shares of such class or series of stock by such Common Stock Event or Preferred Stock Event, as applicable.

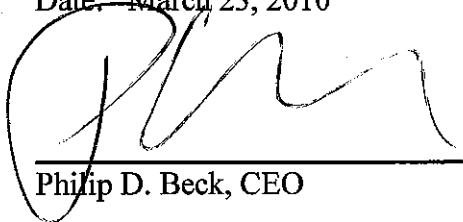
**PLANET PAYMENT, INC.**  
**ANNUAL REPORT**  
**YEAR ENDED DECEMBER 31, 2009**

**CERTIFICATIONS**

I, Philip D Beck, certify that:

1. I have reviewed this Annual Report for the year ended December 31, 2009 of Planet Payment, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: ~~March 23, 2010~~



Philip D. Beck, CEO

I, Seth Asofsky, certify that:

1. I have reviewed this Annual Report for the year ended December 31, 2009 of Planet Payment, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 23, 2010



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Robert Cox, CFO

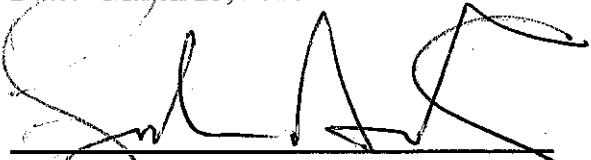
I, Graham N. Arad, certify that:

1. I have reviewed this Annual Report for the year ended December 31, 2009 of Planet Payment, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 23, 2010



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Graham N. Arad, SVP & General Counsel