

SECURITIES AND EXCHANGE COMMISSION

FORM 4

Statement of changes in beneficial ownership of securities

Filing Date: **2013-01-14** | Period of Report: **2013-01-10**
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REPORTING OWNER

GAINES CAROLYN

CIK: **1204862**

Type: **4** | Act: **34** | File No.: **000-13959** | Film No.: **13528948**

ISSUER

LML PAYMENT SYSTEMS INC

CIK: **781891** | IRS No.: **980209289** | State of Incorporation: **A1** | Fiscal Year End: **0331**
SIC: **7389** Business services, nec

Mailing Address

1680 1140 WEST PENDER
ST
VANCOUVER, BRITISH
COLUMBIA
CANADA V6E 4G1 A1 00000

Business Address

1680 1140 WEST PENDER
ST
VANCOUVER, BRITISH
COLUMBIA
CANADA V6E 4G1 A1 00000
6046894440

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person GAINES CAROLYN			2. Issuer Name and Ticker or Trading Symbol LML PAYMENT SYSTEMS INC [LMLP]		5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input type="checkbox"/> Director <input type="checkbox"/> 10% Owner <input checked="" type="checkbox"/> Officer (give title below) <input type="checkbox"/> Other (specify below) Secretary	
(Last)	(First)	(Middle)	3. Date of Earliest Transaction (Month/Day/Year) 01/10/2013			
1140 WEST PENDER STREET, SUITE 1680			4. If Amendment, Date Original Filed(Month/Day/Year)		6. Individual or Joint/Group Filing (Check applicable line) <input checked="" type="checkbox"/> Form Filed by One Reporting Person <input type="checkbox"/> Form Filed by More than One Reporting Person	
(Street) VANCOUVER, A1 V6F 4G1						
(City)	(State)	(Zip)				

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/10/2013		<u>U</u>		47,112	D	(1)	0	D	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date						Title
Stock Option (Right to Buy)	\$3	01/10/2013		<u>D</u>			210,000	(2)	03/31/2018	Common Stock	210,000	\$0.45	0	D	
Stock Option (Right to Buy)	\$1.62	01/10/2013		<u>D</u>			100,000	(2)	08/18/2015	Common Stock	100,000	\$1.83	0	D	
Stock Option (Right to Buy)	\$2.12	01/10/2013		<u>D</u>			100,000	(2)	11/17/2016	Common Stock	100,000	\$1.33	0	D	

Explanation of Responses:

1. Disposed of pursuant to the arrangement agreement between issuer, Digital River, Inc. and LML Acquisition Corp. in exchange for US\$3.45 in cash per share on the effective date of the arrangement.
2. This option was canceled in connection with the arrangement in exchange for a cash amount equal to the amount, if any, by which the number of common shares underlying such option, multiplied by the per-share consideration of US\$3.45 per common share, exceeded the aggregate exercise price payable under the option to acquire the common shares underlying such option.

Signatures

/s/ Carolyn Gaines

** Signature of Reporting Person

01/14/2013

Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.