

Net Element, Inc.
Form S-1/A
August 26, 2016

As filed with the Securities and Exchange Commission on August 26, 2016

File No. 333-212591

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

Amendment No. 2 to

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NET ELEMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation
or organization)

5045

(Primary Standard Industrial Classification
Code Number)

90-1025599

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

**3363 NE 163rd St., Suite 705
North Miami Beach, Florida 33160
(305) 507-8808**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jonathan New

Chief Financial Officer

**Net Element, Inc.
3363 NE 163rd St., Suite 705
North Miami Beach, Florida 33160
(305) 507-8808**

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

with a copy to:

Serge Pavluk, Esq.

Snell & Wilmer L.L.P.

600 Anton Blvd, Suite 1400

Costa Mesa, California 92626

Telephone: (714) 427-7000

Facsimile: (714) 427-7799

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

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

(Do not check if a smaller reporting company)

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value \$0.0001 per share	2,794,674 (1)	\$1.41 (2)	\$3,940,491	\$396.81 (3)

(1) Pursuant to Rule 416 under the Securities Act of 1933, as amended (the "Securities Act"), this Registration Statement shall also cover any additional shares of common stock which become issuable by reason of any stock dividend, stock split or other similar transaction effected without the receipt of consideration that results in an increase in the number of the outstanding shares of common stock of the Registrant.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act, based upon the average of the high and low prices of the common stock on the NASDAQ Capital Market on August 25, 2016. Under a common stock purchase agreement, ESUSA Holdings, LLC has agreed to purchase up to \$10,000,000 million of shares of the Registrant's common stock, and the Registrant agreed to issue ESUSA Holdings, LLC as a commitment fee such number of shares of the Registrant's common stock that would have a value equivalent to \$200,000 calculated using the average of volume weighted average price for the Registrant's common stock during the 3 trading days period immediately preceding the date of issuance of such shares.

(3)

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\$1,027.14 of the filing fee was previously paid by the Registrant on July 20, 2016 in connection with the filing of Registrant's registration statement on Form S-1 (File No. 333-212591), which is amended hereby.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission (the "Commission"), acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and the selling stockholder is not soliciting offers to buy these securities, in any state where the offer or sale of these securities is not permitted.

SUBJECT TO COMPLETION, DATED August 26, 2016

PRELIMINARY PROSPECTUS

NET ELEMENT, INC.

2,794,674 Shares

Common Stock

This prospectus relates to the sale of up to 2,794,674 shares of common stock of Net Element, Inc., a Delaware corporation (“us”, “we”, “our”, “Net Element”, or the “Company”), by ESUSA Holdings, LLC. ESUSA Holdings is also referred to in this prospectus as the selling stockholder. The prices at which the selling stockholder may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive proceeds from the sale of the shares by the selling stockholder. However, we may receive proceeds of up to \$10 million from the sale of our common stock to the selling stockholder, pursuant to a common stock purchase agreement entered into with the selling stockholder on July 6, 2016, once the registration statement, of which this prospectus is a part, is declared effective.

The selling stockholder is an “underwriter” within the meaning of the Securities Act of 1933, as amended (the “Securities Act”). We will pay the expenses of registering these shares, but all selling and other expenses incurred by the selling

stockholder will be paid by the selling stockholder.

Our common stock is listed on the Nasdaq Capital Market under the ticker symbol "NETE." On August 25, 2016, the last reported sale price per share of our common stock was \$1.44 per share.

You should read this prospectus and any prospectus supplement, together with additional information described under the headings "Incorporation of Certain Documents by Reference" and "Where You Can Find More Information," carefully before you invest in any of our securities.

The Company has the following other currently-effective registration statements and the following number of shares available under them:

(i) registration statement on Form S-3 (File No. 333-186621) that relates to (a) the resale from time to time by the selling securityholders of up to 433,400 warrants that were originally issued by Cazador Acquisition Corporation Ltd., a blank check company incorporated as a Cayman Islands exempted company and our predecessor ("Cazador"), to Cazador Sub Holdings Ltd., in connection with a private placement prior to Cazador's initial public offering (the "Warrants"), (b) the issuance and sale by us of up to 433,400 shares of Warrant Stock upon the exercise of the Warrants so long as such Warrants are exercised by transferees who acquired those Warrants in registered transactions following the effective date of that registration statement; (c) the resale from time to time by the selling securityholders of up to 433,400 shares of Warrant Stock that are issuable, in transactions exempt from registration under the Securities Act, upon exercise of the Warrants by the selling securityholders; and (d) the resale from time to time by the selling securityholders of up to 653,855 shares of additional shares of our common stock that may be sold from time to time by the selling securityholders named in that registration statement;

(ii) registration statement on Form S-3 (File No. 333-182076) that relates to the issuance and sale by us of up to 459,890 shares of our common stock, par value \$0.0001 per share, upon the exercise of warrants that were originally issued by Cazador in connection with its initial public offering and that became exercisable for shares of our common stock upon the consummation of the transactions contemplated by that certain Agreement and Plan of Merger, dated as of June 12, 2012, by and between Cazador and the previous legal entity known as Net Element, Inc., a Delaware corporation;

(iii) registration statement on Form S-3 (File No. 333-199432) under which the Company may offer from time to time, in one or more series or issuances and on terms that we will determine at the time of any such offering, any combination of shares of our common stock, preferred stock, warrants, units or subscription rights, up to an aggregate amount of \$50,000,000 (such securities up to an aggregate amount of \$41,422,932 remain available for issuance under this registration statement) , and certain selling securityholders named in that registration statement may offer and sell up to 1,994,734 shares of common stock from time to time;

(iv) registration statement on Form S-8 (File No. 333-195476) pertaining to up to 563,000 shares of our common stock issuable under the our 2013 Equity Incentive Plan (no shares are available for issuance under this registration statement);

(v) registration statement on Form S-8 (File No. 333-333-208364) pertaining to up to additional 349,143 shares of our common stock issuable under the our 2013 Equity Incentive Plan, as amended (no shares are available for issuance under this registration statement); and

(vi) registration statement on Form S-8 (File No. 333-333-212277) pertaining to up to additional 1,348,858 shares of our common stock issuable under the our 2013 Equity Incentive Plan, as further amended.

Investing in our securities involves a high degree of risk. See “Risk Factors” on page 6 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is August 26, 2016.

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ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus and any prospectus supplement or issuer free writing prospectus relating to the offering of our common stock by the selling stockholder. No one has been authorized to provide you with information that is different from that contained or incorporated by reference in this prospectus, any accompanying prospectus supplement and any related issuer free writing prospectus in connection with the offering described herein and therein, and, if given or made, such information or representations must not be relied upon as having been authorized by us. Neither this prospectus nor any prospectus supplement nor any related issuer free writing prospectus shall constitute an offer to sell or a solicitation of an offer to buy offered securities in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation.

You should read the entire prospectus and any prospectus supplement and any related issuer free writing prospectus, as well as the documents incorporated by reference into this prospectus or any prospectus supplement or any related issuer free writing prospectus, before making an investment decision. Neither the delivery of this prospectus or any prospectus supplement or any issuer free writing prospectus nor any sale made hereunder shall under any circumstances imply that the information contained or incorporated by reference herein or in any prospectus supplement or issuer free writing prospectus is correct as of any date subsequent to the date hereof or of such prospectus supplement or issuer free writing prospectus, as applicable. You should assume that the information appearing in this prospectus, any prospectus supplement or any document incorporated by reference is accurate only as of the date of the applicable documents, regardless of the time of delivery of this prospectus or any sale of securities. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights certain information about us, this offering and selected information contained in the prospectus. This summary is not complete and does not contain all of the information that you should consider before deciding whether to invest in our common stock. For a more complete understanding of our company and this offering, we encourage you to read and consider the more detailed information in the prospectus, including “Risk Factors” and the financial statements and related notes. Unless we specify otherwise, all references in this prospectus to “Net Element,” “we,” “our,” “us” and “our company” refer to NET ELEMENT, INC.

Unless otherwise indicated all historical and pro forma common stock and per share data in this prospectus have been retroactively restated to the earliest period presented to account for the 1-for-10 reverse stock split that became effective on May 25, 2016.

Information About the Company

Background and Business

Company Overview

Net Element is a global transaction processing technology and value-added solutions company that enables its clients to meet their transaction processing needs through various integrated technology platforms, including in omni-channel environments that span across point-of-sale (“POS”), e-commerce and mobile devices. The Company operates in three operating segments as a provider of North America Transaction Solutions, Mobile Payment Solutions, Online Payment Solutions. We enable merchants of all sizes to accept and process credit, debit and prepaid payments and provide them value-added services and technologies, such as POS solutions, security solutions and fraud management, information solutions and analytical tools.

We provide a range of solutions to our clients across the value chain of commerce-enabling services and technologies. We create our value-added solutions from a suite of proprietary technology products, software, cloud-based applications, processing services, security offerings, and customer support programs that we configure to meet our clients’ individual needs.

We provide additional services including:

POS solutions and other adjacent business services throughout the United States provided by TOT Payments doing business as ***Unified Payments***;

Proprietary cloud-based POS platform for the hospitality industry and small to medium sized businesses “SMB” merchants through ***Aptito*** and ***Restoactive***;

Proprietary integrated e-commerce and mobile payments processing platform and fraud management system through ***PayOnline***;

Integrated payment processing solutions to the travel industry, which includes integrations with various Global Distribution Systems (“GDS”) such as Amadeus®, Galileo®, Sabre®, additional geo filters and passenger name record (PNR) through Pay-Travel service offered by ***PayOnline***;

Integrated direct-carrier, mobile operator billing solution for small ticket content providers and merchants throughout selected emerging markets provided by ***Digital Provider***.

We have operations and offices located within the United States (U.S.) (domestic) and outside of the U.S. (international) where sales, customer service and/or administrative personnel are based. Through U.S. based subsidiaries, the Company generates revenues from transactional services, value-added payment services and technologies for small and medium-sized businesses (referred to as “Small and Midsized Businesses,” or “SMB”). Through international subsidiaries, the Company operates its international business with a focus on transactional services, mobile payment transactions, online payment transactions and value-added payment services and technologies in emerging countries including Europe, Asia, Russian Federation and the Commonwealth of Independent States (“CIS”). Our subsidiaries Digital Provider and PayOnline hold market leadership positions in mobile and online payments segments in Russian Federation and CIS.

Our business is characterized by transaction related fees, multi-year contracts, and diverse client base, which allows us to grow alongside our clients. Our multi-year contracts allow us to achieve a high level of recurring revenues with the same clients. While the contracts typically do not specify fixed revenues to be realized thereunder, they do provide a framework for revenues to be generated based on volume of services provided during such contract's term.

Business

Our transactional services business enables merchants to accept credit cards as well as other forms of payment, including debit cards, checks, gift cards, loyalty programs and alternative payment methods in traditional card-present or swipe transactions, as well as card-not-present transactions, such as those conducted over the phone or through the Internet or a mobile device. We market and sell our services through both independent sales groups ("ISGs"), which are non-employee, external sales organizations and other third party resellers of our products and services, and directly to merchants through electronic media, telemarketing and other programs, including utilizing partnerships with other companies that market products and services to local and international merchants. In addition, we partner with banks such as BMO Harris Bank, N.A. in the United States and VTB Bank, Bank of Moscow, Raiffeisen Bank, Kazkommertsbank, and Rietumu Bank in the Russian Federation, CIS, Europe and Asia to sponsor us for membership in Visa[®], MasterCard[®] and/or other card associations and to settle transactions with merchants. We perform core functions for merchants such as application processing, underwriting, account set-up, risk management, fraud detection, merchant assistance and support, equipment deployment and chargeback services.

Our mobile payments business, Digital Provider, LLC (f/k/a Tot Money, LLC) ("Digital Provider") provides carrier-integrated mobile payments solutions. Our relationships with mobile operators give us substantial geographic coverage, a strong capacity for innovation in mobile payments and messaging, and the ability to offer our clients' in-app, premium SMS, online and carrier billing services. We also market our own branded content which is a new business line for our mobile payments business.

Aptito is a proprietary, next-generation, cloud-based payments platform for the hospitality industry, which creates an online consumer experience in offline commerce environments via tablet, mobile and all other cloud-connected devices. Aptito's easy to use point-of-sale ("POS") system makes things easier by providing comprehensive solution to the hospitality industry to help streamline management and operations. Orders placed tableside by customers directly speed up the ordering process and improve overall efficiency. Aptito's mobile POS system provides portability to the staff while performing all the same functions as a traditional POS system, and more.

PayOnline provides flexible high-tech payment solutions to companies doing business on the Internet or in the mobile environment. PayOnline specializes in integration and customization of payment solutions for websites and mobile

apps. In particular, PayOnline arranges payment on the website of any commercial organization, which increases the convenience of using the website and helps maximize the number of successful transactions. In addition, PayOnline is focused on providing online and mobile payment acceptance services to the travel industry through direct integration with leading Global Distribution Systems, which includes Amadeus® and Sabre®. Key regions of the PayOnline company are: the CIS, Eastern Europe, Central Asia, Western Europe, North America and Asia major sub regions. PayOnline offices are located in Russia and in the Republic of Cyprus.

Our Corporate Organization

Our Company was formed in 2010 and incorporated as a Cayman Islands exempted company with limited liability under the name Cazador Acquisition Corporation Ltd. (“Cazador”). Cazador was a blank check company incorporated for the purpose of effecting a merger; share capital exchange; asset acquisition; share purchase; reorganization or similar business combination with one or more operating businesses or assets. In 2012, Cazador completed a merger (the “Merger”) with Net Element, Inc., a Delaware corporation (“Pre-Merger Net Element”), which was a company with businesses in the online media and mobile commerce payment processing markets. Immediately prior to the effectiveness of the Merger, the Company (then known as Cazador) changed its jurisdiction of incorporation by discontinuing as an exempted company in the Cayman Islands and continuing and domesticating as a corporation incorporated under the laws of the State of Delaware. Effective upon consummation of the Merger, (i) Pre-Merger Net Element was merged with and into the Company, resulting in Pre-Merger Net Element ceasing to exist and the Company continuing as the surviving company in the Merger, and (ii) the Company changed its name to Net Element International, Inc. In 2013, the Company divested its non-core entertainment assets. In December 2013, the Company changed its name to Net Element, Inc. We entered the mobile payments business through the launch of TOT Money (renamed Digital Provider in 2015) in Russia in 2012. We entered the financial technology and value-added transactional service business through the acquisitions of Unified Payments in April 2013 and Aptito in June 2013. We entered the online payment business with our acquisition of PayOnline in May 2015.

Additional Information

Our principal office is located at 3363 NE 163rd Street, Suite 705, North Miami Beach, Florida 33160, and our main telephone number is (305) 507-8808. Our website address is www.netelement.com. The information on our website is not a part of, and should not be construed as being incorporated by reference into, this prospectus.

The Offering

Common stock being offered by the selling stockholder Up to 2,794,674 shares

Common stock outstanding 14,036,498 (as of August 26, 2016)

Use of proceeds The selling stockholder will receive all of the proceeds from the sale of the shares offered for sale by it under this prospectus. We will not receive proceeds from the sale of the shares by the selling stockholder. However, we may receive up to \$10 million in proceeds from the sale of our common stock to the selling stockholder under the common stock purchase agreement described below. Any proceeds from the selling stockholder that we receive under the purchase agreement are expected to be used for working capital and general corporate purposes.

Nasdaq Capital Market Symbol NETE

Risk Factors Investing in our securities involves a high degree of risk. You should carefully review and consider the “Risk Factors” section of this prospectus for a discussion of factors to consider before deciding to invest in shares of our common stock.

Purchaser Agreement with ESUSA Holdings

On July 6, 2016, we entered into a common stock purchase agreement (referred to in this prospectus as the “Purchase Agreement”), with ESUSA Holdings, LLC, a New York limited liability company (referred to in this prospectus as “ESUSA Holdings” or the “selling stockholder”), which provides that, upon the terms and subject to the conditions and limitations set forth therein, ESUSA Holdings is committed to purchase up to an aggregate of \$10 million of our

shares of common stock over the approximately 30-month term of the Purchase Agreement. In consideration for entering into the Purchase Agreement, upon the earlier of (i) on or 1 business day after the Commission has declared effective the registration statement of which this prospectus is a part or (ii) six months after the date of the Purchase Agreement, we will issue to ESUSA Holdings as a commitment fee such number of shares of our common stock that would have a value equivalent to \$200,000 calculated using the average of volume weighted average price for our common stock during the 3 trading days period immediately preceding the date of issuance of such shares (referred to in this prospectus as the “Commitment Shares”). Concurrently with entering into the Purchase Agreement, we also entered into a registration rights agreement with ESUSA Holdings (referred to in this prospectus as the “Registration Rights Agreement”), in which we agreed to file one or more registration statements, including the registration statement of which this prospectus is a part, as permissible and necessary to register under the Securities Act of 1933, as amended, or the Securities Act, the sale of the shares of our common stock that have been and may be issued to ESUSA Holdings under the Purchase Agreement.

As of August 26, 2016, there were 14,036,498 shares of our common stock outstanding (8,384,023 shares held by non-affiliates) excluding the 2,794,674 shares offered that will be issued or may be issuable to ESUSA Holdings pursuant to the Purchase Agreement. If all of such 2,794,674 shares of our common stock offered hereby were issued and outstanding as of the date hereof, such shares would represent 16.60% of the total common stock outstanding or 25.00% of the non-affiliate shares of common stock outstanding as of the date hereof. The number of shares of our common stock ultimately offered for sale by ESUSA Holdings is dependent upon the number of shares purchased by ESUSA Holdings under the Purchase Agreement.

Pursuant to the Purchase Agreement and the Registration Rights Agreement, we are registering 2,794,674 shares of our common stock under the Securities Act, which includes the Commitment Shares that will be issued to ESUSA Holdings promptly after the Commission has declared effective the registration statement of which this prospectus is a part and 2,652,830 shares of common stock which we may issue to ESUSA Holdings after this registration statement is declared effective under the Securities Act. All 2,794,674 shares of common stock are being offered pursuant to this prospectus.

After the Commission has declared effective the registration statement of which this prospectus is a part, on any trading day on which the consolidated closing bid price of our common stock established by the Nasdaq Capital Market exceeds \$0.50, we have the right, in our sole discretion, to present ESUSA Holdings with a purchase notice (each, a "Purchase Notice"), directing ESUSA Holdings (as principal) to purchase up to 50,000 shares of our common stock per trading day, provided that the aggregate price of such purchase shall not exceed \$1 million per trading day, up to \$10 million of our common stock in the aggregate at a per share price (the "Purchase Price") calculated by reference to the prevailing market price of our common stock (as more specifically described below).

The number of shares for each Regular Purchase may be increased to up to 75,000 shares if the consolidated closing bid price of our common stock established by the Nasdaq Capital Market is not below \$0.50 per share on the date of the applicable Purchase Notice and to up to 100,000 shares if the consolidated closing bid price of our common stock established by the Nasdaq Capital Market is not below \$1.00 per share on the date of the applicable Purchase Notice.

In addition, on any date on which we submit a Purchase Notice to ESUSA Holdings and the consolidated closing bid price of our common stock established by the Nasdaq Capital Market is equal to or greater than \$0.25 per share of Common Stock, we also have the right, in our sole discretion, to present ESUSA Holdings with a volume-weighted average price purchase notice (each, a "VWAP Purchase Notice") directing ESUSA Holdings to purchase on the next trading day (the "VWAP Purchase Date") an amount of stock to not exceed the lesser of (i) two times the maximum number of shares allowed to be sold for a Regular Purchase with applicable consolidated closing bid price of our common stock established by the Nasdaq Capital Market or (ii) 20% of the trading volume of the Common Stock on the business day following VWAP Purchase Notice. The purchase price per share pursuant to such VWAP Purchase Notice (the "VWAP Purchase Price") is the lesser of (i) the consolidated closing bid price of our common stock

established by the Nasdaq Capital Market on the VWAP Purchase Date; or (ii) 95% of volume weighted average price for the Common Stock on the VWAP Purchase Date.

The Purchase Price and VWAP Purchase Price will be adjusted for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split, or other similar transaction occurring during the period(s) used to compute the Purchase Price and VWAP Purchase Price.

The Purchase Agreement provides that the Company and ESUSA Holdings shall not effect any sales under the Purchase Agreement on any purchase date where the consolidated closing bid price of our common stock established by the Nasdaq Capital Market is less than \$0.50 per share (the “Floor Price”).

In addition, the total number of shares of common stock that may be issued under Purchase Agreement, including the Commitment Shares, will be limited to 2,362,724 shares of our common stock (the “Exchange Cap”), which equals 19.99% of our outstanding shares of common stock as of the date of the Purchase Agreement, unless stockholder approval is obtained to issue more than such 19.99%. The Exchange Cap will be adjusted for any stock dividend, stock split, reverse stock split, or similar transaction. The foregoing limitation will not apply if stockholder approval has not been obtained and at any time the Exchange Cap is reached and at all times thereafter the average price paid for all shares of our common stock issued under the Purchase Agreement is equal to or greater than \$1.880, a price equal to the consolidated closing bid price of our common stock established by the Nasdaq Capital Market on the date of the Purchase Agreement. In no event will we be required or permitted to issue any shares of our common stock under the Purchase Agreement if such issuance would violate the rules or regulations of the Nasdaq Capital Market.

We will not issue any shares of our common stock under Purchase Agreement if such shares proposed to be issued and sold, when aggregated with all other shares of our common stock then owned beneficially (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder) by ESUSA Holdings and its affiliates would result in the beneficial ownership by ESUSA Holdings and its affiliates of more than 9.99% of the then issued and outstanding shares of our common stock.

There are no trading volume requirements or restrictions under the Purchase Agreement, and we will control the timing and amount of any sales of our common stock to ESUSA Holdings. ESUSA Holdings has no right to require any sales by us, but is obligated to make purchases from us as we direct in accordance with the Purchase Agreement.

There are no limitations on use of proceeds, financial or business covenants, rights of first refusal, participation rights, penalties or liquidated damages in the Purchase Agreement. ESUSA Holdings may not assign its rights or obligations under the Purchase Agreement.

There are no restrictions on future fundings other than the Company agreed that during the lesser of (i) 30 months from the date of the Purchase Agreement or (ii) the period when ESUSA still owns the shares of Common Stock issued to ESUSA under the Purchase Agreement, the Company will not issue without consent of ESUSA Holdings any floating conversion rate or variable priced securities convertible into Common Stock if such convertible securities shall have no floor price associated therewith (excluding any at-the-market offerings with a registered broker-dealer).

The Purchase Agreement may be terminated by us at any time, at our discretion, without any penalty or cost to us.

RISK FACTORS

You should carefully consider the following information about risks, as well as those risk factors set forth in our most recent Annual Report on Form 10-K/A on file with the Commission, which are incorporated by reference in this prospectus, together with the other information contained in this prospectus, before making an investment in our common stock. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, cash flows and financial condition could be harmed. In any such case, the market price of our common stock could decline, and you may lose all or part of your investment.

We will need to raise substantial additional capital in the future to fund our operations and we may be unable to raise such funds when needed and on acceptable terms.

The extent to which we utilize the Purchase Agreement with ESUSA Holdings as a source of funding will depend on a number of factors, including the prevailing market price of our common stock, the volume of trading in our common stock and the extent to which we are able to secure funds from other sources. The number of shares that we may sell to ESUSA Holdings under the Purchase Agreement on any given day and during the term of the agreement is limited. See “The ESUSA Holdings Transaction” section of this prospectus for additional information. Additionally, we and ESUSA Holdings may not effect any sales of shares of our common stock under the Purchase Agreement during the continuance of an event of default or on any trading day that the consolidated closing bid price of our common stock established by the Nasdaq Capital Market is less than \$0.50 per share. Even if we are able to access the full \$10 million under the Purchase Agreement, we will still need additional capital to fully implement our business, operating and development plans.

The sale of our common stock to ESUSA Holdings may cause substantial dilution to our existing stockholders and the sale of the shares of common stock acquired by ESUSA Holdings could cause the price of our common stock to decline.

We are registering for sale the Commitment Shares that we will issue and 2,652,830 shares that we may sell to ESUSA Holdings under the Purchase Agreement. It is anticipated that shares registered in this offering will be sold over a period of up to approximately 30 months from the date of this prospectus. The number of shares ultimately offered for sale by ESUSA Holdings under this prospectus is dependent upon the number of shares we elect to sell to ESUSA Holdings under the Purchase Agreement. Depending upon market liquidity at the time, sales of shares of our common stock under the Purchase Agreement may cause the trading price of our common stock to decline. In the event we elect to issue more than 2,794,674 shares under the Purchase Agreement, we will be required to file a new registration statement and have it declared effective by the Commission.

ESOUSA Holdings may ultimately purchase all, some or none of the \$10 million of common stock that, together with the Commitment Shares, is the subject of this prospectus. ESOUSA Holdings may sell all, some or none of our shares that it holds or comes to hold under the Purchase Agreement. Sales by ESOUSA Holdings of shares acquired pursuant to the Purchase Agreement under the registration statement, of which this prospectus is a part, may result in dilution to the interests of other holders of our common stock. The sale of a substantial number of shares of our common stock by ESOUSA Holdings in this offering, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales. However, we have the right to control the timing and amount of sales of our shares to ESOUSA Holdings, and the Purchase Agreement may be terminated by us at any time at our discretion without any penalty or cost to us.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus, including the documents incorporated by reference herein, contains statements that do not directly or exclusively relate to historical facts. Such statements are “forward-looking statements.” You can typically identify forward-looking statements by the use of forward-looking words, such as “may,” “will,” “could,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “continue,” “potential,” “plan,” “forecast” and other similar words. These include, but are not limited to, statements relating to our future financial and operating results, plans, objectives, expectations and intentions and other statements that are not historical facts. These statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of these factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by these forward-looking statements. In addition to the risk factors described under “Risk Factors” beginning on page 6 of this prospectus, these factors include:

· the impact of any new or changed laws, regulations, card network rules or other industry standards affecting our business, including the U.S. government decision to impose sanctions or other legal restrictions that may restrict our ability to do business in Russia;

· the impact of any significant chargeback liability and liability for merchant or customer fraud, which we may not be able to accurately anticipate and/or collect;

· our ability to secure or successfully migrate merchant portfolios to new bank sponsors if current sponsorships are terminated;

· our and our bank sponsors' ability to adhere to the standards of the Visa® and MasterCard® payment card associations;

· our reliance on third-party processors and service providers;

· our dependence on independent sales groups ("ISGs") that do not serve us exclusively to introduce us to new merchant accounts;

· our ability to pass along increases in interchange costs and other costs to our merchants;

· our ability to protect against unauthorized disclosure of merchant and cardholder data, whether through breach of our computer systems or otherwise;

· the effect of the loss of key personnel on our relationships with ISGs, card associations, bank sponsors and our other service providers;

· the effects of increased competition, which could adversely impact our financial performance;

· the impact of any increase in attrition due to an increase in closed merchant accounts and/or a decrease in merchant charge volume that we cannot anticipate or offset with new accounts;

· the effect of adverse business conditions on our merchants;

· our ability to adopt technology to meet changing industry and customer needs or trends;

· the impact of any decline in the use of credit cards as a payment mechanism for consumers or adverse developments with respect to the credit card industry in general;

· the impact of any adverse conditions in industries in which we obtain a substantial amount of our bankcard processing volume;

· the impact of seasonality on our operating results;

- the impact of any failure in our systems due to factors beyond our control;
- the impact of any material breaches in the security of third-party processing systems we use;
- the impact of any new and potential governmental regulations designed to protect or limit access to consumer information;
- the impact on our profitability if we are required to pay federal, state or local taxes on transaction processing;
- the impact on our growth and profitability if the markets for the services that we offer fail to expand or if such markets contract;
- our ability (or inability) to continue as a going concern;
- the willingness of the Company's majority stockholders, and/or other affiliates of the Company, to continue investing in the Company's business to fund working capital requirements;
- the Company's ability (or inability) to obtain additional financing in sufficient amounts or on acceptable terms when needed;
- the impact on our operating results or liquidity in the event of an unfavorable outcome on legal proceedings and claims which arise in the ordinary course;
- the impact on our operating results as a result of impairment of our goodwill and intangible assets;
- our material weaknesses in internal control over financial reporting and our ability to maintain effective controls over financial reporting in the future; and
- the other factors identified in the "Risk Factors" section of this prospectus.

Forward-looking statements are based on our current expectations about future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these expectations may not be achieved. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform those statements to actual results. In evaluating these statements, you should consider various factors, including the risks outlined in the section entitled "Risk Factors" beginning on page 6 of this prospectus.

The ESUSA Holdings Transaction

General

On July 6, 2016, we entered into the Purchase Agreement which provides that, upon the terms and subject to the conditions and limitations set forth therein, ESUSA Holdings is committed to purchase up to an aggregate of \$10 million of our shares of common stock over the term of the Purchase Agreement. In consideration for entering into the Purchase Agreement, upon the earlier of (i) on or 1 business day after the Commission has declared effective the registration statement of which this prospectus is a part or (ii) six months after the date of the Purchase Agreement, we will issue to ESUSA Holdings the Commitment Shares. Concurrently with entering into the Purchase Agreement, we also entered into the Registration Rights Agreement, in which we agreed to file one or more registration statements as permissible and necessary to register under the Securities Act, the sale of the shares of our common stock that have been and may be issued to ESUSA Holdings under the Purchase Agreement.

As of August 26, 2016, there were 14,036,498 shares of our common stock outstanding (8,384,023 shares held by non-affiliates) excluding the 2,794,674 shares offered that may be issuable to ESUSA Holdings pursuant to the Purchase Agreement. If all of such 2,794,674 shares of our common stock offered hereby were issued and outstanding as of the date hereof, such shares would represent 16.60% of the total common stock outstanding or 25.00% of the non-affiliate shares of common stock outstanding as of the date hereof. The number of shares of our common stock ultimately offered for sale by ESUSA Holdings is dependent upon the number of shares purchased by ESUSA Holdings under the Purchase Agreement.

Pursuant to the Purchase Agreement and the Registration Rights Agreement, we are registering 2,794,674 shares of our common stock under the Securities Act, which includes the Commitment Shares that will be issued to ESUSA Holdings and 2,652,830 shares of common stock which we may issue to ESUSA Holdings after this registration statement is declared effective under the Securities Act. All 2,794,674 shares of common stock are being offered pursuant to this prospectus. Under the Purchase Agreement, we have the right but not the obligation to issue more than the 2,794,674 shares of common stock included in this prospectus to ESUSA Holdings. As of the date hereof, we do not have any plans or intent to issue to ESUSA Holdings any shares of common stock in addition to the 2,794,674 shares of common stock offered hereby.

After the Commission has declared effective the registration statement of which this prospectus is a part, on any trading day on which the consolidated closing bid price of our common stock established by the Nasdaq Capital Market is not less than \$0.50 per share, we have the right, in our sole discretion, to present ESUSA Holdings with a Purchase Notice, directing ESUSA Holdings (as principal) to purchase up to 50,000 shares of our common stock per business day, up to \$10 million of our common stock in the aggregate at a Purchase Price calculated by reference to the prevailing market price of our common stock over the preceding 10-business day period (as more specifically described below); however, no sale pursuant to a Purchase Notice may exceed \$1 million per trading day.

The number of shares for each Regular Purchase may be increased to up to 75,000 shares if the consolidated closing bid price of our common stock established by the Nasdaq Capital Market is not below \$0.50 per share on the date of the applicable Purchase Notice and to up to 100,000 shares if the consolidated closing bid price of our common stock established by the Nasdaq Capital Market is not below \$1.00 per share on the date of the applicable Purchase Notice.

In addition, on any date on which we submit a Purchase Notice to ESUSA Holdings and our stock price is not less than \$0.25 per share, we also have the right, in our sole discretion, to present ESUSA Holdings with a VWAP Purchase Notice directing ESUSA Holdings to purchase on the VWAP Purchase Date an amount of stock to not exceed the lesser of (i) two times the maximum number of shares allowed to be sold for a Regular Purchase with applicable consolidated closing bid price of our common stock established by the Nasdaq Capital Market or (ii) 20% of the trading volume of the Common Stock on the business day following VWAP Purchase Notice. The VWAP Purchase Price is the lesser of (i) the consolidated closing bid price of our common stock established by the Nasdaq Capital Market on the VWAP Purchase Date; or (ii) 95% of volume weighted average price for the Common Stock on the VWAP Purchase Date.

The Purchase Price and VWAP Purchase Price will be adjusted for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split, or other similar transaction occurring during the period(s) used to compute the Purchase Price and VWAP Purchase Price. The Company may deliver multiple Purchase Notices and VWAP Purchase Notices to ESUSA from time to time during the term of the Purchase Agreement, so long as the most recent purchase has been completed.

The Purchase Agreement provides that the Company and ESUSA Holdings shall not effect any sales under the Purchase Agreement on any purchase date where the consolidated closing bid price of our common stock established by the Nasdaq Capital Market is less than the Floor Price. There are no trading volume requirements or restrictions under the Purchase Agreement, and we will control the timing and amount of any sales of our common stock to ESUSA Holdings. ESUSA Holdings has no right to require any sales by us, but is obligated to make purchases from us as we direct in accordance with the Purchase Agreement.

In addition, the total number of shares of common stock that may be issued under Purchase Agreement, including the Commitment Shares, will be limited to the Exchange Cap, which equals 19.99% of our outstanding shares of our common stock as of the date of the Purchase Agreement, unless stockholder approval is obtained to issue more than such 19.99%. The Exchange Cap will be adjusted for any stock dividend, stock split, reverse stock split or similar transaction. The foregoing limitation will not apply if stockholder approval has not been obtained and at any time the Exchange Cap is reached and at all times thereafter the average price paid for all shares of our common stock issued under the Purchase Agreement is equal to or greater than \$1.880, a price equal to the consolidated closing bid price of our common stock established by the Nasdaq Capital Market on the date of the Purchase Agreement. In no event will we be required or permitted to issue any shares of our common stock under the Purchase Agreement if such issuance would violate the rules or regulations of the Nasdaq Capital Market.

Further, we will not issue any shares of our common stock under Purchase Agreement if such shares proposed to be issued and sold, when aggregated with all other shares of our common stock then owned beneficially (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder) by ESUSA Holdings and its affiliates would result in the beneficial ownership by ESUSA Holdings and its affiliates of more than 9.99% of the then issued and outstanding shares of our common stock.

There are no limitations on use of proceeds, financial or business covenants, rights of first refusal, participation rights, penalties or liquidated damages in the Purchase Agreement. ESUSA Holdings may not assign its rights or obligations under the Purchase Agreement. The Purchase Agreement may be terminated by us at any time, at our discretion, without any penalty or cost to us.

There are no restrictions on future fundings other than the Company agreed that during the lesser of (i) 30 months from the date of the Purchase Agreement or (ii) the period when ESUSA still owns the shares of Common Stock issued to ESUSA under the Purchase Agreement, the Company will not issue without consent of ESUSA Holdings any floating conversion rate or variable priced securities convertible into Common Stock if such convertible securities shall have no floor price associated therewith (excluding any at-the-market offerings with a registered broker-dealer).

Purchase Of Shares Under The Common Stock Purchase Agreement

Under the common stock Purchase Agreement, on any trading day selected by us on which the consolidated closing bid price of our common stock established by the Nasdaq Capital Market exceeds \$0.50 per share, we may direct ESUSA Holdings to purchase up to 50,000 shares of our common stock per trading day. The Purchase Price of such shares is equal to the lesser of:

the consolidated closing bid price of our common stock established by the Nasdaq Capital Market on the purchase date; or

the arithmetic average of the three lowest consolidated closing bid price of our common stock established by the Nasdaq Capital Market during the ten consecutive trading days ending on the trading day immediately preceding the purchase date.

In addition, on any date on which we submit a Purchase Notice to ESUSA Holdings and our stock price is not less than \$0.25 per share, we also have the right, in our sole discretion, to present ESUSA Holdings with a VWAP Purchase Notice directing ESUSA Holdings to purchase on the VWAP Purchase Date an amount of stock to not exceed the lesser of (i) two times the maximum number of shares allowed to be sold for a Regular Purchase with applicable consolidated closing bid price of our common stock established by the Nasdaq Capital Market or (ii) 20% of the trading volume of the Common Stock on the business day following VWAP Purchase Notice.

The VWAP Purchase Price is the lesser of

the consolidated closing bid price of our common stock established by the Nasdaq Capital Market on the VWAP Purchase Date; or

.95% of volume weighted average price for the Common Stock on the VWAP Purchase Date

The Purchase Price and VWAP Purchase Price will be adjusted for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split, or other similar transaction occurring during the period(s) used to compute the Purchase Price and VWAP Purchase Price. The Company may deliver multiple Purchase Notices and VWAP Purchase Notices to ESUSA from time to time during the term of the Purchase Agreement, so long as the most recent purchase has been completed.

Minimum Share Price

Under the Purchase Agreement, we and ESUSA Holdings may not effect any sales of shares of our common stock under the Purchase Agreement on any trading day that the consolidated closing bid price of our common stock established by the Nasdaq Capital Market is less than \$0.50 per share.

Events of Default

We may not require and ESUSA Holdings will not be obligated or permitted to purchase any shares of our common stock under the Purchase Agreement so long as any of the following events of default occurs:

the effectiveness of any registration statement that is required to be maintained effective pursuant to the terms of the Registration Rights Agreement between us and ESUSA Holdings lapses for any reason (including, without limitation, the issuance of a stop order) or is unavailable to ESUSA Holdings for sale of our shares of common stock, and such lapse or unavailability continues for a period of ten consecutive business days or for more than an aggregate of thirty business days in any 365-day period, which is not in connection with a post-effective amendment to any such registration statement; in connection with any post-effective amendment to such registration statement that is required to be declared effective by the Commission such lapse or unavailability may continue for a period of no more than 60 consecutive business days (extended for up to an additional 30 business days if we receive a comment letter from the Commission in connection therewith);

· the suspension our common stock from trading for a period of one trading day;

· the delisting of our common stock from our principal market, provided our common stock is not immediately thereafter trading on the New York Stock Exchange, the NYSE MKT, the Nasdaq Global Select Market, the Nasdaq Global Market, the OTB Bulletin Board or the OTCQB marketplace or OTCQX marketplace of the OTC Markets Group;

· any breach by us of the representations or warranties or covenants contained in the Purchase Agreement or any related agreements which could have a material adverse effect on us, subject to a cure period of 20 business days;

· if we commence a voluntary insolvency or bankruptcy proceedings under bankruptcy law, consent to the entry of an order for relief against us in an involuntary case, consent to the appointment of a custodian of the Company or for all or substantially all of our and our subsidiaries' property, or make a general assignment for the benefit of our creditors;

a court of competent jurisdiction enters an order or decree under any bankruptcy law that is for relief against us in an involuntary case, appoints a custodian of the Company or for all or substantially all of its and its subsidiaries' property, or orders the liquidation of the Company; or

we cease for more than one business day to be eligible, through our transfer agent, to issue and transfer shares of our common stock electronically to third parties via the DTC FAST Program of DTC's DWAC system.

Our Termination Rights

The Purchase Agreement may be terminated by us at any time, at our discretion, without any penalty or cost to us.

ESOUSA Holdings Termination Right

ESOUSA Holdings may, by delivering a prior five business days' notice to the Company, terminate the Purchase Agreement upon the occurrence of any of the following events of default:

if we commence a voluntary insolvency or bankruptcy proceedings under bankruptcy law, consent to the entry of an order for relief against us in an involuntary case, consent to the appointment of a custodian of the Company or for all or substantially all of our and our subsidiaries' property, or make a general assignment for the benefit of our creditors; or

a court of competent jurisdiction enters an order or decree under any bankruptcy law that is for relief against us in an involuntary case, appoints a custodian of the Company or for all or substantially all of its and its subsidiaries' property, or orders the liquidation of the Company.

No Short-Sellin