

Net Element, Inc.
Form S-1/A
November 15, 2017

As filed with the Securities and Exchange Commission on November 15, 2017

File No. 333-221148

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

AMENDMENT NO. 1

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.

Edgar Filing: Net Element, Inc. - Form S-1/A

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. "

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," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer " Accelerated filer " Non-accelerated filer " Smaller reporting company x
 (Do not check if a smaller reporting company) Emerging growth 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	886,322	(1) \$4.50	(2) \$ 988,449.00	\$ 496.56 (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 November 10, 2017. Under a common stock purchase agreement, Cobblestone Capital Partners, LLC has agreed to purchase up to \$10,000,000 of shares of the Registrant's common stock, and the Registrant previously issued to Cobblestone Capital Partners, 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) \$449.28 of the filing fee was previously paid by the Registrant on October 26, 2017 in connection with the filing of Registrant's registration statement on Form S-1 (File No. 333-221148), 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 NOVEMBER 15, 2017

PRELIMINARY PROSPECTUS

NET ELEMENT, INC.

886,322 Shares

Common Stock

This prospectus relates to the sale of up to 886,322 shares of common stock of Net Element, Inc., a Delaware corporation (“us”, “we”, “our”, “Net Element”, or the “Company”), by Cobblestone Capital Partners, LLC. Cobblestone Capital Partners, LLC 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 5, 2017, 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 November 11, 2017, the last reported sale price per share of our common stock was \$4.22 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.

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 November 15, 2017

Table of Contents

	Page
<u>ABOUT THIS PROSPECTUS</u>	ii
<u>PROSPECTUS SUMMARY</u>	1
<u>RISK FACTORS</u>	6
<u>INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS</u>	7
<u>The COBBLESTONE CAPITAL Transaction</u>	8
<u>uSE OF pROCEEDS</u>	13
<u>DILUTION</u>	13
<u>SELLING STOCKHOLDER</u>	14
<u>PLAN OF DISTRIBUTION</u>	15
<u>DESCRIPTION OF CAPITAL STOCK</u>	16
<u>LEGAL MATTERS</u>	18
<u>EXPERTS</u>	18
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	18
<u>INFORMATION INCORPORATED BY REFERENCE</u>	18

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 October 5, 2017.

Information About the Company

Background and Business

Company Overview

Net Element is a global financial technology and value-added solutions group that supports companies in accepting electronic payments in an omni-channel environment that spans across point-of-sale (“POS”), e-commerce and mobile devices. The Company operates in three segments as a provider of North America Transaction Solutions, Mobile Payment Solutions and Online Payment Solutions.

We enable merchants of all sizes to accept and process over 100 different payment options in more than 40 currencies, including credit, debit and prepaid payments. We also provide merchants with value-added services and technologies including integrated payment technologies, POS solutions, security solutions, 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 which includes 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, global 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***;

PayNet Solutions – universal payment platform provided by ***PayOnline*** (software-as-a-service ("SaaS") and White Label models). Providing an opportunity for top clients of ***PayOnline*** to develop their own independent business solutions. Integrated direct-carrier, mobile operator billing solution for small ticket content providers and merchants throughout selected international 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, we generate revenues from transactional services, valued-added payment services and technologies for SMBs. Through wholly owned subsidiaries, we operate internationally with a focus on transactional services, mobile payment transactions, online payment transactions, value-added payment services and technologies in selected international markets.

Our business is characterized by transaction related fees, multi-year contracts, and a 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. 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 the contract's term.

In August 2017, we substantially reorganized the business of Digital Provider and consolidated its operations into PayOnline and TOT Group Russia. We currently are not generating revenues from new content, and we continue to explore partnership opportunities that can monetize our relationships and contracts with mobile operators.

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 886,322 shares

**Common stock
outstanding**

2,465,551 (as of November 15, 2017)

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.

Purchase Agreement with Cobblestone Capital

On July 5, 2017, we entered into a common stock purchase agreement (referred to in this prospectus as the “Purchase Agreement”), with Cobblestone Capital Partners, LLC (referred to in this prospectus as “Cobblestone Capital” or the “selling stockholder”), which provides that, upon the terms and subject to the conditions and limitations set forth therein, Cobblestone Capital 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 Securities and Exchange 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 were obligated to issue to Cobblestone Capital 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”). Accordingly, we previously issued to Cobblestone Capital the Commitment Shares pursuant to the registration statement on Form S-1 initially filed on July 17, 2017 that became effective on August 2, 2017 (File No. 333-219324) (the “Prior Registration Statement”).

Concurrently with entering into the Purchase Agreement, we also entered into a registration rights agreement with Cobblestone Capital (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 Cobblestone Capital under the Purchase Agreement.

As of November 15, 2017, there were 2,465,551 shares of our common stock outstanding (1,964,787 shares held by non-affiliates) excluding the 886,322 shares offered that will be issued or may be issuable to Cobblestone Capital pursuant to the Purchase Agreement. If all of such 886,322 shares of our common stock offered hereby were issued and outstanding as of the date hereof, such shares would represent 26.44% of the total common stock outstanding or 20.93% 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 Cobblestone Capital is dependent upon the number of shares purchased by Cobblestone Capital under the Purchase Agreement.

Pursuant to the Purchase Agreement and the Registration Rights Agreement, we are registering 886,322 shares of our common stock under the Securities Act, which includes the shares of common stock which we may issue to Cobblestone Capital after this registration statement is declared effective under the Securities Act. All 886,322 shares of common stock are being offered pursuant to this prospectus.

Prior to filing this Registration Statement, we registered and issued to Cobblestone Capital 476,023 shares (as adjusted for the Company's reverse stock split dated October 5, 2017) of common stock pursuant to the Prior Registration Statement, which included the Commitment Shares that we were obligated to issue to Cobblestone Capital promptly after the Securities and Exchange Commission has declared effective the Prior Registration Statement. All of the shares of common stock registered under the Prior Registration Statement were sold prior to filing of this registration statement.

After the Securities and Exchange 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 \$0.25, we have the right, in our sole discretion, to present Cobblestone Capital with a purchase notice (each, a "Purchase Notice"), directing Cobblestone Capital (as principal) to purchase up to 20,000 shares (as adjusted for the Company's reverse stock split dated October 5, 2017) 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 (as adjusted for the Company's reverse stock split dated October 5, 2017) 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 (as adjusted for the Company's reverse stock split dated October 5, 2017) 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. The number of shares for each Regular Purchase may be decreased by 50% in the event the Company is delisted from the Nasdaq Capital Market.

The Purchase Price of such shares is equal to the lesser of (i) the consolidated closing bid price of our common stock established by the Nasdaq Capital Market on the purchase date; or (ii) 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 Cobblestone Capital 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 Cobblestone Capital with a volume-weighted average price purchase notice (each, a "VWAP Purchase Notice") directing Cobblestone Capital 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 Cobblestone Capital 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 \$0.25 per share (the "Floor Price").

The Purchase Agreement provides that the total number of shares of common stock that may be issued under Purchase Agreement, including the Commitment Shares, will be limited to such number of 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%. Such stockholders' approval was

obtained by the Company On October 3, 2017. Accordingly, the Exchange Cap does not apply. 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 Cobblestone Capital and its affiliates would result in the beneficial ownership by Cobblestone Capital 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 Cobblestone Capital. Cobblestone Capital 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. Cobblestone Capital 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 Cobblestone Capital still owns the shares of Common Stock issued to Cobblestone Capital under the Purchase Agreement, the Company will not issue without consent of Cobblestone Capital 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 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 Cobblestone Capital 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 Cobblestone Capital under the Purchase Agreement on any given day and during the term of the agreement is limited. See “The Cobblestone Capital Transaction” section of this prospectus for additional information. Additionally, we and Cobblestone Capital 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 \$0.25 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 Cobblestone Capital may cause substantial dilution to our existing stockholders and the sale of the shares of common stock acquired by Cobblestone Capital could cause the price of our common stock to decline.

We are registering for sale 886,322 shares of our common stock that we may sell to Cobblestone Capital under the Purchase Agreement. It is anticipated that shares registered in this offering will be sold over a period of up to approximately 25 months from the date of this prospectus. The number of shares ultimately offered for sale by Cobblestone Capital under this prospectus is dependent upon the number of shares we elect to sell to Cobblestone Capital 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.

Cobblestone Capital may ultimately purchase all, some or none of the \$7,635,642.55 of common stock that is the subject of this prospectus. Cobblestone Capital may sell all, some or none of our shares that it holds or comes to hold under the Purchase Agreement. Sales by Cobblestone Capital 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 Cobblestone Capital 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 Cobblestone Capital, 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 5 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 COBBLESTONE CAPITAL Transaction

General

On July 5, 2017, we entered into the Purchase Agreement which provides that, upon the terms and subject to the conditions and limitations set forth therein, Cobblestone Capital 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, we previously issued to Cobblestone Capital the Commitment Shares pursuant to the registration statement on Form S-1 initially filed on July 17, 2017 that became effective on August 2, 2017 (File No. 333-219324) (the "Prior Registration Statement"). 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 Cobblestone Capital under the Purchase Agreement.

As of November 15, 2017, there were 2,465,551 shares of our common stock outstanding (1,964,787 shares held by non-affiliates) excluding the 886,322 shares offered that may be issuable to Cobblestone Capital pursuant to the Purchase Agreement. If all of such 886,322 shares of our common stock offered hereby were issued and outstanding as of the date hereof, such shares would represent 26.44% of the total common stock outstanding or 20.93% 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 Cobblestone Capital is dependent upon the number of shares purchased by Cobblestone Capital under the Purchase Agreement.

Pursuant to the Purchase Agreement and the Registration Rights Agreement, we are registering 886,322 shares of our common stock under the Securities Act, which shares we may issue to Cobblestone Capital after this registration statement is declared effective under the Securities Act. All 886,322 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 886,322 shares of common stock included in this prospectus to Cobblestone Capital. As of the date hereof, we do not have any plans or intent to issue to Cobblestone Capital any shares of common stock in addition to the 886,322 shares of common stock offered hereby.

After the Securities and Exchange 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 \$0.25 per share, we have the right, in our sole discretion, to present Cobblestone Capital with a Purchase Notice, directing Cobblestone Capital (as principal) to purchase up to 20,000 shares (as adjusted for the reverse stock split dated October 5, 2017) 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 (as adjusted for the reverse stock split dated October 5, 2017) 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. The number of shares for each Regular Purchase may be decreased by 50% in the event the Company is delisted from the Nasdaq Capital Market.

In addition, on any date on which we submit a Purchase Notice to Cobblestone Capital and our stock price is not less than \$0.25 per share, we also have the right, in our sole discretion, to present Cobblestone Capital with a VWAP Purchase Notice directing Cobblestone Capital 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 Cobblestone Capital 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 Cobblestone Capital 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 Cobblestone Capital. Cobblestone Capital 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.

The Purchase Agreement provides that 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%. Such stockholder's approval was obtained by the Company on October 3, 2017. Accordingly, the Exchange Cap does not apply. 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 Cobblestone Capital and its affiliates would result in the beneficial ownership by Cobblestone Capital 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. Cobblestone Capital 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 Cobblestone Capital still owns the shares of Common Stock issued to Cobblestone Capital under the Purchase Agreement, the Company will not issue without consent of Cobblestone Capital 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 \$0.25 per share, we may direct Cobblestone Capital to purchase up to 20,000 shares (as adjusted for the reverse stock split dated October 5, 2017) 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 Cobblestone Capital and our stock price is not less than \$0.25 per share, we also have the right, in our sole discretion, to present Cobblestone Capital with a VWAP Purchase Notice directing Cobblestone Capital 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 Cobblestone Capital 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 Cobblestone Capital 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 \$0.25 per share.

Events of Default

We may not require and Cobblestone Capital 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 Cobblestone Capital lapses for any reason (including, without limitation, the issuance of a stop order) or is unavailable to Cobblestone Capital 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.

Cobblestone Capital Termination Right

Cobblestone Capital 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-Selling or Hedging by Cobblestone Capital

Cobblestone Capital has agreed that neither it nor any of its agents, representatives and affiliates shall engage in any direct or indirect short-selling or hedging of our common stock during any time prior to the termination of the Purchase Agreement.

Effect of Performance of the Purchase Agreement on Our Stockholders

The Purchase Agreement does not limit the ability of Cobblestone Capital to sell any or all of the 886,322 shares registered in this offering. It is anticipated that shares registered in this offering will be sold over a period of up to approximately 25 months from the date of this prospectus. The sale by Cobblestone Capital of a significant amount of shares registered in this offering at any given time could cause the market price of our common stock to decline and/or to be highly volatile. Cobblestone Capital may ultimately purchase all, some or none of the 886,322 shares of common stock not yet issued but registered in this offering. After it has acquired such shares, it may sell