

3PEA INTERNATIONAL, INC.  
Form 10-K  
April 01, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 10-K**

(Mark One)

**T** ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

**£** TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-54123

**3PEA INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

Nevada	95-4550154
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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1700 W. Horizon Ridge Parkway, Suite 102, Henderson, Nevada 89012

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (702) 453-2221

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$0.001 par value

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes ☐ No ☒

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

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☒

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter. \$1,571,272 based upon a market price of \$0.08 per share.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date. 38,911,606 as of March 5, 2013.

#### DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933.

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## Note Regarding Forward Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements." These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Words such as "believe," "anticipate," "expect," "intend," "plan," "may," and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which relate only to events as of the date on which the statements are made. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. You should refer to and carefully review the information in future documents we file with the Securities and Exchange Commission.

## PART I

### ITEM 1. BUSINESS.

#### Overview

We were originally incorporated in Nevada as G.K.W., Inc. on August 24, 1995. We changed our name to Antek International, Inc. on July 1, 1996. Our common stock was approved for trading on the OTC Bulletin Board in 1998. We changed our name to Tika Corporation on October 12, 2005. We acquired 3Pea Technologies, Inc., a payment solutions company, in March 2006, which resulted in 3Pea Technologies, Inc. becoming our wholly owned subsidiary. At the time Tika Corporation acquired 3Pea Technologies, Inc., it was non-operational. We changed our name to Paypad Inc. on March 13, 2006. On October 19, 2006 we changed our name to 3PEA International, Inc. In 2007 we acquired control of Wow Technologies, Inc., a payment solutions company with a proprietary card processing platform, in a share exchange agreement whereby Wow Technologies, Inc. became our majority-owned subsidiary.

The business of 3Pea Technologies, Inc., both before and after we acquired it, was the development of a secure payment gateway and hardware device which utilized encryption technology and secure key exchange to facilitate PIN debit transactions over the internet. It developed proprietary stored value systems, secure key loading systems, and acted as an encryption service organization injecting keys into its proprietary payment terminal called the PayPad®. Users could connect the device to their computers and utilize it to make purchases over the internet without having to provide their credit card and other personal information to the seller. Due to the lack of market acceptance of this concept, we ultimately determined to shelve the product and reevaluate the technology and markets for potential use in the future. 3Pea Technologies, Inc. continues to focus on the evaluation of payment terminal software and hardware technology. We then adapted the payment platform that we developed to support prepaid debit cards, which is our current business.

#### Business of Issuer

We are a payment solutions company providing prepaid debit program management and processing services. We provide a card processing platform consisting of proprietary systems and innovative software applications based on the unique needs of our programs. We have extended our processing business capabilities through recent platform expansion. We design and process prepaid programs that run on a customized processing platform through which our customers can define the services they wish to offer cardholders. Through this platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service.



We have developed prepaid card programs for healthcare reimbursement payments, pharmaceutical assistance, corporate and incentive rewards, and are expanding into payroll cards, general purpose re-loadable cards, travel cards, and expense reimbursement cards. Our cards are offered to end users through our relationships with bank issuers.

Our proprietary platform is scalable and customizable, delivering cost benefits and revenue building opportunities to partners. We manage all aspects of the debit card lifecycle, from managing the card design and approval processes with partners and associations, to production, packaging, distribution, and personalization. We also oversee inventory and security controls, renewals, lost and stolen card management and replacement.

To date, we have issued millions of prepaid debit cards under programs implemented for several Fortune 100 and 500 companies, including many of the top pharmaceutical manufacturing companies in the world.

Depending on the program selected by the client, we generate the following types of revenues: setup charges; customized software development fees; data processing and report generation fees; transaction fees from each transaction by a consumer; interchange fees; fees from sourcing the debit cards used for the program; and administrative fees.

#### *What Are Prepaid Cards*

Network branded prepaid cards are relatively new, but incredibly useful financial tools for millions of Americans. Network branded prepaid cards provide consumers, businesses and governments with the efficiency, security and flexibility of digital payments through a non-credit payment option. Most network branded prepaid cards benefit from broad acceptance, as they can be used anywhere the card brand (Amex, Discover, MasterCard, Visa) credit/debit card is accepted and they provide the end user security against fraud and theft.

While these cards work like traditional debit/credit cards and offer many of the same fraud and loss protections, they access funds pre-paid for the cardholder that have been loaded by another consumer (as a gift), by government for benefits, and by employers/corporations for payroll, rewards/incentives, or health benefits. As a non-credit payment tool, they help the users control their budget.

Today, millions of Americans use network branded prepaid cards for the choice and protection they provide, including the estimated 40 million un-banked or underbanked who would not otherwise have a way to participate in our card-based economy, parents of college-aged students who want a safe and secure way to give money without the risk of running up debt, and recipients of government benefits who need an efficient way to receive their child support payments, food stamps or unemployment payments.

#### *Types of Cards*

This increasingly popular financial product comes in many forms. Here are some examples to understand how they are used.

**General Purpose Reloadable:** A type of prepaid card typically purchased by a consumer for his/her personal use to pay for purchases, pay bills and/or access cash at ATMs. GPR cards may be purchased online and in retail locations from a variety of providers. Funds may be loaded onto the card by direct deposit of wages or benefits or at retail locations offering prepaid card reload services.





**Payroll:** A Prepaid Card that is directly or indirectly established through an employer and to which electronic fund transfers of the cardholder's wages, salary, or other employee compensation (such as commissions), are made on a recurring basis.

**Incentive Cards :** Payment made to a consumer as a reward for purchasing a product or by a company to an employee as an incentive bonus.

**Health Care:** Pre-tax Benefit cards linked to Health Savings Accounts (HSA), Flexible Spending Accounts (FSA) or Healthcare Reimbursement Accounts (HRA); funds can be used to pay for current or future medical expenses.

**Government Disbursement Cards:** Prepaid cards used for the purpose of disbursing government payments such as Social Security payments, disability payments, disaster relief payments, WIC or Food Stamp disbursements or government payroll.

**Gift Cards:** A prepaid card that is purchased by a gift giver to be given to a gift recipient.

**Business Travel and Expense Cards:** With the current credit crisis, businesses no longer can rely on their employees to carry their company travel and field expenses on their personal credit cards. Many employees no longer have the credit line limits to accommodate company expenses. This has created a significant opportunity in the business expense management market.

### **Pharmaceutical Sampling Market**

Historically, one of the promotional tools utilized by pharmaceutical companies has been to provide promotional samples to physicians, which then distribute them to patients. Our card, which we market under the name "AllegianceRx Card," is meant to replace the distribution of physical samples. Our AllegianceRx Card is an adjudicated promotional debit card that reimburses prescription drug prescribers with promotional funds at retail pharmacies nationwide.

Our prescription solutions provide claims processing and other administrative services for clients that are conducted online, in real-time, according to client benefit plan designs. Our solutions present a cost-effective alternative to an in-house pharmacy claims adjudication system by providing real-time financial incentives for both consumers and payers. Our offerings also allow clients to directly manage more of their pharmacy benefits and include pharmacy claims adjudication, network and payer administration, client call center service and support, reporting, rebate management, as well as implementation, training and account management.

#### *AllegianceRx Card*

The AllegianceRx Card is a promotional pharmaceutical copay or discount card which is adjudicated as a primary or secondary insurance card at the retail pharmacy location. This primary or secondary adjudication determines what funds will be loaded on to the card by applying business rules determined by the sponsoring company. The loaded funds are then immediately applied to the prescription purchase at the pharmacy as a cost offset for the patient. The card may be used to defer part or all the cost of the prescription or any co-pay or deductible, or any combination thereof that the patient would otherwise have to pay under his or her insurance program or out of pocket to purchase the drug. The AllegianceRx Card can be offered as either a straight payment voucher card or a debit card, or a combination of the two, through our Healthpoint Network. A voucher card is adjudicated just like a debit card, but differs from a debit card in that funds are remitted to the pharmacy on a monthly or bi-monthly basis, unlike a debit card which is funded at the time of purchase. A voucher card is used in promotional campaigns where it is not feasible

to distribute a card with a magnetic strip, such as newspaper or magazine ads or inserts. Key features and benefits of the AllegianceRx card are:

§ Tracking and auditing "free samples" is no longer required, as the retail pharmacy network serves as the distribution mechanism for new prescriber promotions.

§ The patient's primary insurance pays the standard adjudicated amount for prescription fills that would historically be "free samples," thus turning the distribution of samples into a revenue generator.

§ The distribution of cards enables far superior prescriber and patient data collection for the pharmaceutical company through the use of automated questionnaires required to activate the cards.

§ The card can be implemented as a secondary insurance card (for private insurance patients), as a traditional voucher card (for Medicare patients), or as both on the same card.

§ The marketing programs can be better designed exactly to meet the specifications and needs of the sponsoring pharmaceutical company, as compared to programs involving the distribution of physical samples.

§ Because the card operates like a debit card, pharmacy retailers are paid instantly for the adjudicated promotional cost on covered prescription transactions.

§ We provide a set of comprehensive, customizable reporting modules to our pharmaceutical clients.

#### *Healthcare Remittance Card*

We have also developed a Health Insurance Prescription Coverage Card, which operates as a financial debit card providing real time health insurance prescription drug payments from the sponsoring health insurance company to the retail pharmacy. We have recently began marketing the card to health insurance companies.

Key features and benefits of the Health Insurance Prescription Coverage Card are:

§ Health insurance RxBin information on the front of the card allows the card to be adjudicated like any other prescription coverage card when presented with a valid prescription at the retail pharmacy location.

§ Following adjudication, the agreed and authorized payment amount from the sponsoring health insurance company to the pharmacy is funded to the card.

§ The pharmacy is paid instantly for covered prescription transactions, and all of the time, expense, and delay associated with billing, payment tracking, and payment delivery from the insurance company to the pharmacy is eliminated.

§ Claims payment tracking and reporting is available online and in real time.

§ Like a typical health insurance card, the card stays on file with the local pharmacy retailer, providing optimal convenience for both the member and the pharmacist.

§ The sponsoring health insurance company sees reduced administrative overhead for paying and tracking prescription claims.

§ In return for immediate payment to the pharmacy retailer with less administrative cost, the sponsoring health insurance company benefits from discounts on drug purchases from the pharmacy retailer.

#### *HealthPoint Network*

Our HealthPoint Network offers real-time pharmacy claims adjudication at more than 62,000 pharmacies nationwide, including all major pharmacy chains. Our HealthPoint Network is currently marketed as a value added option with our AllegianceRx card, for which we receive additional fee revenue from pharmaceutical companies who elect to use the service. We have integrated the pharmacy claims adjudication capability with our prepaid debit card platform specifically to provide reliable, cost effective, on-line and real-time claims adjudication with real-time loading of our debit cards at the point of service. Our technology is extremely flexible, allowing instantaneous program design, update, and customization to meet our clients changing needs.

Key features and benefits of the HealthPoint Network are:

Flexible plan analysis, design and implementation, which allow clients as much or as little control over the process as desired. Our seasoned team ensures seamless implementation and a timely launch. Options include customized benefit structures, multi-tier co-pay structures, automated therapeutic protocols, brand interchanges, multi-domain rules, and deductible and benefit carryover.

Pharmacy claims management services, which provide accurate, reliable, and real time processing and support and support multi-tiered plan options, multi-domain rules, member enrollment and identification, co-pay determination, claims adjudication, min/max dosing guidelines, customized messaging to pharmacy providers, rules-based table driven functionality, and ID card production.

24/7 adjudication and maintenance availability, 365 days a year, with a 24/7 state-of-the-art pharmacy help desk and member help desk.

Robust reporting services, with standard and customizable reporting packages.

#### **Other Products**

##### *Survey Instant Rewards*

We offer a Survey Instant Rewards card program to organizations interested in gathering survey data, particularly for companies that have difficulty locating and inducing qualified consumers to provide survey data for market research. The Survey Instant Rewards card program provides a better approach to survey collection and market research by utilizing financial debit card technology to offer targeted survey respondents immediate financial rewards for completing market research surveys.

We provide consumer product and service companies with a simple and powerfully effective turnkey solution for collecting valuable market information about customers, competitors, and markets. With a Survey Instant Rewards Program, the client mails a survey recipient an unloaded debit card and invites him or her to take your online or phone based survey. When his survey is complete, the card is automatically loaded with the incentive reward, which the recipient can immediately redeem at the nearest ATM machine or point of sale location.

Key features and benefits of Survey Instant Rewards card program are:

- The immediacy of the reward, combined with the tangible nature of the physical debit card in the hand of the recipient, produces a powerful motivator for individuals to answer a few questions.
- The program is ideal for all size survey projects.
- We provide a complete turnkey solution, and an ability to integrate our debit card features into the client's existing survey collection capabilities.
- The programs can be quickly customized and implemented, and the results are immediately available online and in real time.
- The programs are extremely fast and efficient at collecting valuable information, resulting in vastly improved response rates and dramatically lower overall survey collection time than programs that use other common methods of reward, including coupons and mail in rebates.
- Increased survey response rates lower overall survey cost.

#### *Other Markets*

We have identified a variety of other markets that our debit cards can be used in, such as corporate incentive or reimbursement programs, gift cards, payroll payments, government benefit payments, and as a reloadable debit card for use by consumers without a traditional bank account. Our ability to expand our debit cards to other market niches is dependent on our raising capital for technology improvements and sales and marketing expenses.

#### **Technology**

Our technology platform employs a standard enterprise services bus in a service-oriented architecture, configured for 24/7 operations. We maintain one secure, interconnected, environmentally-controlled primary data center in Las Vegas, Nevada, with emergency power generation capabilities, and a back-up data center in the Las Vegas metro area. We use a variety of proprietary and licensed standards-based technologies to implement our platforms, including those which provide for orchestration, interoperability and process control. The platforms also integrate a data infrastructure to support both transaction processing and data warehousing for operational support and data analytics.

## **Competition**

The markets for financial products and services, including SVCs and services related thereto, are intensely competitive. We compete with a variety of companies in our markets and our competitors vary in size, scope and breadth of products and services offered. Certain segments of the financial services and healthcare industries tend to be highly fragmented, with numerous companies competing for market share. Highly fragmented segments currently include financial account processing, customer relationship management solutions, electronic funds transfer and SVC solutions. In addition to competition from other companies, we face competition from existing and potential clients who already have or may develop their own product offerings.

Many of our existing and potential competitors have longer operating histories, greater financial strength and more recognized brands in the industry. These competitors may be able to attract customers more easily because of their financial resources and awareness in the market. Our larger competitors can also devote substantially more resources to business development and may adopt more aggressive pricing policies. To compete with these companies, we rely primarily on direct marketing strategies including strategic marketing partners.

In our pharmaceutical sampling business, we believe that McKesson, Emdeon and Trial Card have programs to enable to enable pharmaceutical companies to distribute vouchers or cards in lieu of physical samples.

## **Sales and Marketing**

We primarily market our products and services through direct marketing by our officers. We also utilize independent contractors who make direct sales for us and other companies and are paid on a commission basis only. We market our pharmaceutical sampling cards directly to pharmaceutical firms and through advertising/marketing agencies used by the pharmaceutical firms.

## **Markets and Major Customers**

We have no major customers and we are not reliant on any drug or program. We manage multiple programs at any given time, consisting of millions of cards under management.

## **Regulation**

### *Introduction*

We operate in a highly regulated environment and are subject to extensive regulation, supervision and examination. Applicable laws and regulations may change, and there is no assurance that such changes will not adversely affect our business. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including but not limited to the imposition of restrictions on the operation of financial institutions we may work with. Any change in such regulation and oversight, whether in the form of restrictions on activities, regulatory policy, regulations, or legislation, including but not limited to changes in the regulations governing banks, could have a material impact on our operations.

Our products and services are generally subject to federal, state and local laws and regulations, including:

- anti-money laundering laws;
- money transfer and payment instrument licensing regulations;



- escheatment laws;
- privacy and information safeguard laws;
- bank regulations;
- consumer protection laws; and
- false claims laws and other fraud and abuse restrictions.
- Privacy and security standards under HIPAA or other laws

These laws are often evolving and sometimes ambiguous or inconsistent, and the extent to which they apply to us or the banks that issue our cards, our clients or our third party service providers is at times unclear. Any failure to comply with applicable law — either by us or by the card issuing banks, our client or our third party service providers, over which we have limited legal and practical control — could result in restrictions on our ability to provide our products and services, as well as the imposition of civil fines and criminal penalties and the suspension or revocation of a license or registration required to sell our products and services. See "Risk Factors" for additional discussion regarding the potential impacts of changes in laws and regulations to which we are subject and failure to comply with existing or future laws and regulations.

We continually monitor and enhance our compliance program to stay current with the most recent legal and regulatory changes. We also continue to implement policies and programs and to adapt our business practices and strategies to help us comply with current legal standards, as well as with new and changing legal requirements affecting particular services or the conduct of our business generally.

#### *Anti-Money Laundering Laws*

Our products and services are generally subject to federal anti-money laundering laws, including the Bank Secrecy Act, as amended by the USA PATRIOT Act, and similar state laws. On an ongoing basis, these laws require us, among other things, to:

- report large cash transactions and suspicious activity;
- screen transactions against the U.S. government's watch-lists, such as the watch-list maintained by the Office of Foreign Assets Control;
- prevent the processing of transactions to or from certain countries, individuals, nationals and entities;
- identify the dollar amounts loaded or transferred at any one time or over specified periods of time, which requires the aggregation of information over multiple transactions;
- gather and, in certain circumstances, report customer information;
- comply with consumer disclosure requirements;
-



register or obtain licenses with state and federal agencies in the United States and seek registration of any retail distributors when necessary.

Anti-money laundering regulations are constantly evolving. We continuously monitor our compliance with anti-money laundering regulations and implement policies and procedures to make our business practices flexible, so we can comply with the most current legal requirements. We cannot predict how these future regulations might affect us. Complying with future regulation could be expensive or require us to change the way we operate our business.

#### *Money Transfer and Payment Instrument Licensing Regulations*

We are not currently subject to money transfer and payment instrument licensing regulations; however, we have plans to introduce products in the future that would be subject to such regulations. Currently, we believe that 39 U.S. jurisdictions would require us to obtain a license to operate a money transfer business. As a licensee, we would be subject to certain restrictions and requirements, including reporting, net worth and surety bonding requirements and requirements for regulatory approval of controlling stockholders, agent locations and consumer forms and disclosures. We would also subject to inspection by the regulators in the jurisdictions in which we are licensed, many of which conduct regular examinations. In addition, we would be required to maintain "permissible investments" in an amount equivalent to all "outstanding payment obligations."

#### *Escheatment Laws*

Unclaimed property laws of every U.S. jurisdiction require that we track certain information on our card products and services and that, if customer funds are unclaimed at the end of an applicable statutory abandonment period, the proceeds of the unclaimed property be remitted to the appropriate jurisdiction.

#### *Privacy and Information Safeguard Laws*

In the ordinary course of our business, we or our third party service providers collect certain types of data, which subjects us to certain privacy and information security laws in the United States, including, for example, the Gramm-Leach-Bliley Act of 1999, or the GLB Act, and other laws or rules designed to regulate consumer information and mitigate identity theft. We are also subject to privacy laws of various states. These state and federal laws impose obligations with respect to the collection, processing, storage, disposal, use and disclosure of personal information, and require that financial institutions have in place policies regarding information privacy and security. In addition, under federal and certain state financial privacy laws, we must provide notice to consumers of our policies and practices for sharing nonpublic information with third parties, provide advance notice of any changes to our policies and, with limited exceptions, give consumers the right to prevent use of their nonpublic personal information and disclosure of it to unaffiliated third parties. Certain state laws may, in some circumstances, require us to notify affected individuals of security breaches of computer databases that contain their personal information. These laws may also require us to notify state law enforcement, regulators or consumer reporting agencies in the event of a data breach, as well as businesses and governmental agencies that own data. In order to comply with the privacy and information safeguard laws, we have confidentiality/information security standards and procedures in place for our business activities and with our third-party vendors and service providers. Privacy and information security laws evolve regularly, requiring us to adjust our compliance program on an ongoing basis and presenting compliance challenges.

### *Bank Regulations*

All of the cards that we service are issued by a state-chartered bank. Thus, we are subject to the oversight of the regulators for, and certain laws applicable to, these card issuing banks. These banking laws require us, as a servicer to the banks that issue our cards, among other things, to undertake compliance actions similar to those described under "– Anti-Money Laundering Laws" above and to comply with the privacy regulations promulgated under the GLB Act as discussed under "– Privacy and Information Safeguard Laws" above. *Consumer Protection*

### *Laws*

Certain products that we anticipate introducing in the future would be subject to state and federal consumer protection laws, including laws prohibiting unfair and deceptive practices, regulating electronic fund transfers and protecting consumer nonpublic information. Before we introduce those products, we will have to develop appropriate procedures for compliance with these consumer protection laws.

### *Card Associations*

In order to provide our products and services, we, as well as the banks that issue our cards, must be registered with Visa and MasterCard, as well as any other networks that we desire to use, such as Pulse, NYCE and Star, and, as a result, are subject to card association rules that could subject us to a variety of fines or penalties that may be levied by the card association or network for certain acts or omissions. The banks that issue our cards are specifically registered as "members" of the Visa and/or MasterCard card associations. Visa and MasterCard set the standards with which we and the card issuing banks must comply.

### *False Claims Laws and Other Fraud and Abuse Restrictions*

We provide claims processing and other transaction services to pharmaceutical companies that relate to, or directly involve, the reimbursement of pharmaceutical costs covered by Medicare, Medicaid, other federal healthcare programs and private payers. As a result of these aspects of our business, we may be subject to, or contractually required to comply with, state and federal laws that govern various aspects of the submission of healthcare claims for reimbursement and the receipt of payments for healthcare items or services. These laws generally prohibit an individual or entity from knowingly presenting or causing to be presented claims for payment to Medicare, Medicaid or other third party payers that are false or fraudulent. False or fraudulent claims include, but are not limited to, billing for services not rendered, failing to refund known overpayments, misrepresenting actual services rendered in order to obtain higher reimbursement, improper coding and billing for medically unnecessary goods and services. Many of these laws provide significant civil and criminal penalties for noncompliance and can be enforced by private individuals through "whistleblower" or qui tam actions. To avoid liability, providers and their contractors must, among other things, carefully and accurately code, complete and submit claims for reimbursement.

From time to time, constituents in the healthcare industry, including us, may be subject to actions under the federal False Claims Act or other fraud and abuse provisions. We cannot guarantee that state and federal agencies will regard any billing errors we process as inadvertent or will not hold us responsible for any compliance issues related to claims we handle on behalf of providers and payers. Although we believe our editing processes are consistent with applicable reimbursement rules and industry practice, a court, enforcement agency or whistleblower could challenge these practices. We cannot predict the impact of any enforcement actions under the various false claims and fraud and abuse laws applicable to our operations. Even an unsuccessful challenge of our practices could cause adverse publicity and cause us to incur significant legal and related costs.



*Privacy and Security Standards under HIPAA or Other Laws.*

The Health Insurance Portability and Accountability Act of 1996 contains privacy regulations and the security regulations that apply to some of our operations. The privacy regulations extensively regulate the use and disclosure of individually identifiable health information by entities subject to HIPAA. For example, the privacy regulations permit parties to use and disclose individually identifiable health information for treatment and to process claims for payment, but other uses and disclosures, such as marketing communications, require written authorization from the individual or must meet an exception specified under the privacy regulations. The privacy regulations also provide patients with rights related to understanding and controlling how their health information is used and disclosed. To the extent permitted by the privacy regulations, ARRA and our contracts with our customers, we may use and disclose individually identifiable health information to perform our services and for other limited purposes, such as creating de-identified information. Determining whether data has been sufficiently de-identified to comply with the privacy regulations and our contractual obligations may require complex factual and statistical analyses and may be subject to interpretation. The security regulations require certain entities to implement and maintain administrative, physical and technical safeguards to protect the security of individually identifiable health information that is electronically transmitted or electronically stored. We have implemented and maintain policies and processes to assist us in complying with the privacy regulations, the security regulations and our contractual obligations. We cannot provide assurance regarding how these standards will be interpreted, enforced or applied to our operations. If we are unable to properly protect the privacy and security of health information entrusted to us, we could be subject to substantial penalties, damages and injunctive relief.

In addition to HIPAA, numerous other state and federal laws govern the collection, dissemination, use, access to and confidentiality of individually identifiable health information and healthcare provider information. In addition, some states are considering new laws and regulations that further protect the confidentiality, privacy and security of medical records or other types of medical information. In many cases, these state laws are not preempted by the HIPAA privacy regulations and may be subject to interpretation by various courts and other governmental authorities. Further, the U.S. Congress and a number of states have considered or are considering prohibitions or limitations on the disclosure of medical or other information to individuals or entities located outside of the United States.

**Patents and Trademarks**

We protect our intellectual property rights through a combination of trademark, patent, copyright and trade secrets laws. At this time, we have not applied for any registered trademarks or patents covering any of the products or services that we currently offer.

In order to limit access to and disclosure of our proprietary information, all of our employees and consultants have signed confidentiality and we enter into nondisclosure agreements with third parties. We cannot provide assurance that the steps we have taken to protect our intellectual property rights, however, will deter adequately infringement or misappropriation of those rights. Particularly given the international nature of the Internet, the rate of growth of the Internet and the ease of registering new domain names, we may not be able to detect unauthorized use of our intellectual property or take enforcement action.

**Employees and Consultants**

At March 5, 2013, we had fourteen employees and consultants.

We have no collective bargaining agreements with our employees, and believe all consulting and employment agreements relationships are satisfactory. We hire independent contractors on an as-needed basis, and we may retain

additional employees and consultants during the next twelve months, including additional executive management personnel with substantial experience in pharmaceutical sampling market and development business.

## ITEM 1A. RISK FACTORS.

*An investment in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this registration statement, including our consolidated financial statements and related notes included elsewhere in this prospectus, before deciding to invest in our common stock. If any of the following risks actually occurs, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline and you could lose part or all of your investment.*

### **Risks Related to Our Business**

Our growth rates may decline in the future.

In fiscal 2012, we experienced rapid growth as a result increased sales resulting from the continued acceptance of our pharmaceutical sampling card by the pharmaceutical industry along with growth in our plasma donation center payments solutions business. . There can be no assurance that we will be able to resume our historical growth rates in future periods. In the near term, our continued growth depends in significant part on our ability, among other things, to enter new markets and to continue to attract new pharmaceutical companies as clients, and to convince pharmaceutical companies that the distribution of debit cards is a more effective marketing tool than the distribution of actual samples. Our continued growth also depends on our ability to develop and market other debit card products that can utilize the platform that we have developed for our pharmaceutical sampling business.

As the prepaid financial services industry continues to develop, our competitors may be able to offer products and services that are, or that are perceived to be, substantially similar to or better than ours. This may force us to compete on the basis of price and to expend significant marketing, product development and other resources in order to remain competitive. Even if we are successful at increasing our operating revenues through our various initiatives and strategies, we will experience an inevitable decline in growth rates as our operating revenues increase to higher levels and we may also experience a decline in margins. If our operating revenue growth rates slow materially or decline, our business, operating results and financial condition could be adversely affected.

### **We operate in a highly regulated environment, and failure by us or business partners to comply with applicable laws and regulations could have an adverse effect on our business, financial position and results of operations.**

We operate in a highly regulated environment, and failure by us or our business partners to comply with the laws and regulations to which we are subject could negatively impact our business. We are subject to state money transmission licensing requirements and a wide range of federal and other state laws and regulations, which are described under "Business – Regulation" above. In particular, our products and services are subject to an increasingly strict set of legal and regulatory requirements intended to protect consumers and to help detect and prevent money laundering, terrorist financing and other illicit activities.

Many of these laws and regulations are evolving, unclear and inconsistent across various jurisdictions, and ensuring compliance with them is difficult and costly. For example, with increasing frequency, federal and state regulators are holding businesses like ours to higher standards of training, monitoring and compliance, including monitoring for possible violations of laws by the businesses that participate in our reload network. Failure by us or those businesses to comply with the laws and regulations to which we are subject could result in fines, penalties or limitations on our ability to conduct our business, or federal or state actions, any of which could significantly harm our reputation with consumers and other network participants, banks that issue our cards and regulators, and could materially and adversely affect our business, operating results and financial condition.





**Changes in the laws, regulations, credit card association rules or other industry standards affecting our business may impose costly compliance burdens and negatively impact our business.**

There may be changes in the laws, regulations, card association rules or other industry standards that affect our operating environment in substantial and unpredictable ways. Changes to statutes, regulations or industry standards, including interpretation and implementation of statutes, regulations or standards, could increase the cost of doing business or affect the competitive balance. For example, more stringent anti-money laundering regulations could require the collection and verification of more information from our customers, which could have a material adverse effect on our operations. Regulation of the payments industry has increased significantly in recent years. A number of regulations impacting the credit card industry were recently implemented. Additional changes may require us to incur significant expenses to redevelop our products. Also, failure to comply with laws, rules and regulations or standards to which we are subject, including with respect to privacy and data use and security, could result in fines, sanctions or other penalties, which could have a material adverse effect on our financial position and results of operations, as well as damage our reputation.

**A data security breach could expose us to liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.**

We, the banks that issue our cards, our third party service providers receive, transmit and store confidential customer and other information in connection with our products and services. The encryption software and the other technologies we and our partners use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data security breaches. The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers. The banks that issue our cards, our clients and our third-party processors also may experience similar security breaches involving the receipt, transmission and storage of our confidential customer and other information. Improper access to our or these third parties' systems or databases could result in the theft, publication, deletion or modification of confidential customer and other information.

A data security breach of the systems on which sensitive cardholder data and account information are stored could lead to fraudulent activity involving our products and services, reputational damage and claims or regulatory actions against us. If we are sued in connection with any data security breach, we could be involved in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices or pricing structure, any of which could have a material adverse effect on our operating revenues and profitability. We would also likely have to pay (or indemnify the banks that issue our cards for) fines, penalties and/or other assessments imposed by Visa or MasterCard as a result of any data security breach. Further, a significant data security breach could lead to additional regulation, which could impose new and costly compliance obligations. In addition, a data security breach at one of the banks that issue our cards or our third party service providers could result in significant reputational harm to us and cause the use and acceptance of our cards to decline, either of which could have a significant adverse impact on our operating revenues and future growth prospects.

**The industry in which we compete is highly competitive, which could adversely affect our operating revenue growth.**

A number of other companies provide debit cards for the pharmaceutical sampling business, including McKesson, Emdeon and Trial Card. We also compete for the marketing dollars of pharmaceutical companies with other forms of marketing, such as mass media advertising and direct sales.

We believe that our existing competitors have longer operating histories, are substantially larger than we are, may already have or could develop substantially greater financial and other resources than we have, may offer, develop or introduce a wider range of programs and services than we offer or may use more effective advertising and marketing strategies than we do to achieve broader brand recognition, customer awareness and retail penetration. We may also face price competition that results in decreases in the purchase and use of our products and services. To stay competitive, we may have to increase the incentives that we offer to our marketing partners and decrease the prices of our products and services, which could adversely affect our operating results.

**We rely on relationships with card issuing banks to conduct our business, and our results of operations and financial position could be materially and adversely affected if we fail to maintain these relationships or we maintain them under new terms that are less favorable to us.**

Our relationship with various banks is currently, and will be for the foreseeable future, a critical component of our ability to conduct our business and to maintain our revenue and expense structure, because we are currently unable to issue our own cards. If we lose or do not maintain existing banking relationships, we would incur significant switching and other costs and expenses and we and users of our products and services could be significantly affected, creating contingent liabilities for us. As a result, the failure to maintain adequate banking relationships could have a material adverse effect on our business, results of operations and financial condition. Our agreement with the bank that issues our cards provide for cost and expense allocations between the parties. Changes in the costs and expenses that we have to bear under these relationships could have a material impact on our operating expenses. In addition, we may be unable to maintain adequate banking relationships or renew our agreements with the banks that currently issues our cards under terms at least as favorable to us as those existing before renewal. .

**We receive important services from third-party vendors, and replacing them could entail unexpected integration costs**

Some services relating to our business, including fraud management and other customer verification services, transaction processing and settlement, pharmacy claims adjudication, card production and customer service are outsourced to third-party vendors. All of our vendors could be replaced with competitors if our vender terminated our contract or went out of business. However, in some cases replacing a vendor would entail one-time integration costs to connect our systems to the successor's systems, and could result in less advantageous contract terms for the same service, which could adversely affect our profitability.

**Changes in credit card association or other network rules or standards set by Visa and MasterCard, or changes in card association and debit network fees or products or interchange rates, could adversely affect our business, financial position and results of operations.**

We and the banks that issue our cards are subject to Visa and MasterCard, Pulse, NYCE and Star association rules that could subject us to a variety of fines or penalties that may be levied by the card associations or networks for acts or omissions by us or businesses that work with us. The termination of the card association registrations held by us or any of the banks that issue our cards or any changes in card association or other debit network rules or standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could have an adverse effect on our business, operating results and financial condition. In addition, from time to time, card associations increase the organization and/or processing fees that they charge, which could increase our operating expenses, reduce our profit margin and adversely affect our business, operating results and financial condition.

For example, a portion of our operating revenues is derived from interchange fees. The amount of interchange revenues that we earn is highly dependent on the interchange rates that Visa and MasterCard set and adjust from time to time. There is a risk that interchange rates for certain products and certain issuing banks will decline significantly in the future as a result of the expected enactment of the Dodd-Frank Bill. If interchange rates decline, whether due to actions by Visa or MasterCard or future legislation or regulation, we would likely need to change our fee structure to compensate for lost interchange revenues. To the extent we increase the pricing of our products and services, we might find it more difficult to acquire consumers and to maintain or grow card usage and customer retention. We also might have to discontinue certain products or services. As a result, our operating revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

**We may not be able to successfully manage our intellectual property and may be subject to infringement claims.**

In the rapidly developing legal framework, we rely on a combination of contractual rights and copyright, trademark and trade secret laws to establish and protect our proprietary technology. Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or may develop software or technology competitive to us. Our competitors may independently develop similar technology, duplicate our products or services or design around our intellectual property rights. We may have to litigate to enforce and protect our intellectual property rights, trade secrets and know-how or to determine their scope, validity or enforceability, which is expensive and could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm our business and ability to compete.

We may also be subject to costly litigation in the event our products and technology infringe upon another party's proprietary rights. Third parties may have, or may eventually be issued, patents that would be infringed by our products or technology. Any of these third parties could make a claim of infringement against us with respect to our products or technology. We may also be subject to claims by third parties for breach of copyright, trademark or license usage rights. Any such claims and any resulting litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third party's patent or to license alternative technology from another party. In addition, litigation is time consuming and expensive to defend and could result in the diversion of the time and attention of our management and employees. Any claim from third parties may result in limitation on our ability to use the intellectual property subject to these claims. No indication or claim of infringements has been received as of December 31, 2012.



**Additional equity or debt financing may be dilutive to existing stockholders or impose terms that are unfavorable to us or our existing stockholders.**

We plan to raise capital through a private placement of our common stock to repay indebtedness and provide capital for our expansion into other products and services using our debit card platform. If we raise additional funds by issuing equity securities, our stockholders will experience dilution. Debt financing, if available, may involve arrangements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any debt financing or additional equity that we raise may contain terms, such as liquidation and other preferences, that are not favorable to us or our current stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our technologies and products or grant unfavorable license terms.

**We depend on key personnel and could be harmed by the loss of their services because of the limited number of qualified people in our industry.**

Because of our small size, we require the continued service and performance of our management team, sales and technology employees, all of whom we consider to be key employees. Competition for highly qualified employees in the financial services and healthcare industry is intense. Our success will depend to a significant degree upon our ability to attract, train, and retain highly skilled directors, officers, management, business, financial, legal, marketing, sales, and technical personnel and upon the continued contributions of such people. In addition, we may not be able to retain our current key employees. The loss of the services of one or more of our key personnel and our failure to attract additional highly qualified personnel could impair our ability to expand our operations and provide service to our customers.

**Our future success depends on our ability to attract, integrate, retain and incentivize key personnel.**

Our future success will depend, to a significant extent, on our ability to attract, integrate, retain and incentivize key personnel, namely our management team and experienced sales, marketing and program and systems management personnel. We must retain and motivate existing personnel, and we must also attract, assimilate and motivate additional highly-qualified employees. We may experience difficulty assimilating our newly-hired personnel, which may adversely affect our business. Competition for qualified management, sales, marketing and program and systems management personnel can be intense. Competitors have in the past and may in the future attempt to recruit our top management and employees. If we fail to attract, integrate, retain and incentivize key personnel, our ability to manage and grow our business could be harmed.

**Security and privacy breaches of our electronic transactions may damage customer relations and inhibit our growth.**

Any failures in our security and privacy measures could have a material adverse effect on our business, financial condition and results of operations. While we do not currently store personal information about consumers, some of the products we are contemplating offering in the future would require that we store personal information, including birth dates, addresses, bank account numbers, credit card information, social security numbers and merchant account numbers. If we are unable to protect this information, or if consumers perceive that we are unable to protect this information, our business and the growth of the electronic commerce market in general could be materially adversely affected. A security or privacy breach may:

- cause our customers to lose confidence in our services;
- deter consumers from using our services;



- harm our reputation;
- require that we expend significant additional resources related to our information security systems and could result in a disruption of our operations;
- expose us to liability;
- increase expenses related to remediation costs; and
- decrease market acceptance of electronic commerce transactions and SVC use.

Although management believes that we have utilized proven applications designed for premium data security and integrity in electronic transactions, our use of these applications may be insufficient to address changing market conditions and the security and privacy concerns of existing and potential customers.

**The market for electronic commerce services is evolving and may not continue to develop or grow rapidly enough for us to become profitable.**

If the number of electronic commerce transactions does not continue to grow or if consumers or businesses do not continue as projected to adopt our products and services, it could have a material adverse effect on our business, financial condition and results of operations. Management believes future growth in the electronic commerce market will be driven by the cost, ease of use and quality of products and services offered to consumers and businesses. In order to reach and thereafter maintain our profitability, consumers and businesses must continue to adopt our products and services.

**The debit card and SVC industry is a fairly new industry that is developing and building standards, processes and relationships.**

We are a developmental company building our networks and relationships. In the course of this development of our network, relationships, load locations and related systems, there exists the possibility that the associated companies may delay roll-out of our products and services. These delays could have an adverse effect on cash flow, sales and inventory levels.

**If we do not respond to rapid technological change or changes in industry standards, our products and services could become obsolete and we could lose our customers.**

If competitors introduce new products and services, or if new industry standards and practices emerge, our existing product and service offerings, technology and systems may become obsolete. Further, if we fail to adopt or develop new technologies or to adapt our products and services to emerging industry standards, we may lose current and future customers, which could have a material adverse effect on our business, financial condition and results of operations. The electronic commerce industry is changing rapidly. To remain competitive, we must continue to enhance and improve the functionality and features of our products, services and technologies.

**Changes in the Bank Secrecy Act and/or the USA PATRIOT Act could impede our ability to circulate cards that can be easily loaded or issued.**

Our current compliance program and screening process for the distribution and/or sale of SVCs is designed to comply with the Bank Secrecy Act (“BSA”) and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the “USA PATRIOT Act”). These regulations require financial institutions to obtain and confirm information related to their respective cardholders. If the BSA and/or the USA PATRIOT Act or subsequent legislation increases the level of scrutiny that we must apply to our cardholders and customers, it may be costly or impractical for us to continue to profitably issue and load cards for our customers.

**Internal processing errors could result in our failing to appropriately reflect transactions in customer accounts.**

In the event of a system failure that goes undetected for a substantial period of time, we could allow transactions on blocked accounts, confirm false authorizations, fail to deduct charges from accounts or fail to detect systematic fraud or abuse. Errors or failures of this nature could adversely impact our operations, our credibility and our financial standing.

**Our business is dependent on the efficient and uninterrupted operation of computer network systems and data centers.**

Our ability to provide reliable service to our clients and cardholders depends on the efficient and uninterrupted operation of our computer network systems and data centers as well as those of our third party service providers. Our business involves movement of large sums of money, processing of large numbers of transactions and management of the data necessary to do both. Our success depends upon the efficient and error-free handling of the money. We rely on the ability of our employees, systems and processes and those of the banks that issue our cards, our third party service providers to process and facilitate these transactions in an efficient, uninterrupted and error-free manner.

In the event of a breakdown, a catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), a security breach or malicious attack, an improper operation or any other event impacting our systems or processes, or those of our vendors, or an improper action by our employees, agents or third-party vendors, we could suffer financial loss, loss of customers, regulatory sanctions and damage to our reputation. The measures we have taken, including the implementation of disaster recovery plans and redundant computer systems, may not be successful, and we may experience other problems unrelated to system failures. We may also experience software defects, development delays and installation difficulties, any of which could harm our business and reputation and expose us to potential liability and increased operating expenses. We currently do not carry business interruption insurance.

**Difficult conditions in the economy generally may materially adversely affect our business and results of operations, and we do not expect these conditions to improve in the near future.**

Our results of operations are materially affected by conditions in the economy generally. The capital and credit markets have been experiencing extreme volatility and disruption for more than twelve months at unprecedented levels. Recently, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining U.S. real estate market have contributed to increased volatility and diminished expectations for the economy and consumer spending. These factors in declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and national recession. These events and the continuing market upheavals may have an adverse effect on us because we are dependent upon customer and consumer behavior. Our revenues are likely to decline in such circumstances. In addition, in the event of extreme and



prolonged market events, such as the global credit crisis, we could incur significant losses.

Factors such as consumer spending, business investment, the volatility and strength of the capital markets, and inflation all affect the business and economic environment and, ultimately, the amount and profitability of our business. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our SVC products and services could be adversely affected. Adverse changes in the economy could affect our results negatively and could have a material adverse effect on our business and financial condition. The current mortgage crisis and economic slowdown has also raised the possibility of future legislative and regulatory actions that could further impact our business. We cannot predict whether or when such actions may occur, or what impact, if any, such actions could have on our business, results of operations and financial condition.

**The soundness of other institutions and companies could adversely affect us.**

Our ability to engage in lending and purchasing transactions could be adversely affected by the actions and failure of other institutions and companies, our card issuing banks and distributors that carry our SVCs. As such, we have exposure to many different industries and counterparties. As a result, defaults by, or even questions or rumors about, one or more of these institutions or companies could lead to losses or defaults by us or other institutions. Losses related to these defaults or failures could materially and adversely affect our results of operations.

**A prolonged economic downturn could reduce our customer base and demand for our products.**

We are in uncertain economic times, including uncertainty with respect to financial markets that have been volatile as a result of sub-prime mortgage related and other matters. Our success significantly depends upon the growth of demand of our products from a growing customer base. If the communities in which we operate do not grow, or if prevailing economic conditions locally, nationally or internationally are unfavorable, our business may not succeed. A prolonged economic downturn would likely contribute to the deterioration of the demand for SVC's and our products and services, which in turn would hurt our business. A prolonged economic downturn could, therefore, result in losses that could materially and adversely affect our business.

***Risks Related to Our Common Stock***

**There Is A Limited Market For Our Common Stock.**

The trading market for our common stock is limited. Our common stock is dual listed on the OTCQB and OTC Bulletin Board under the symbol "TPNL" and is not eligible for trading on any national or regional securities exchange or the NASDAQ National Market. A more active trading market for our common stock may never develop, or if such a market develops, it may not be sustained.

**Our Common Stock is Subject to the "Penny Stock" Rules of the SEC and the Trading Market in Our Securities is Limited, Which Makes Transactions in Our Stock Cumbersome and May Reduce the Value of an Investment in Our Stock.**

The Securities and Exchange Commission has adopted Rule 15c-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

that a broker or dealer approve a person's account for transactions in penny stocks; and

the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

**Concentration of ownership among our existing directors, executive officers and principal stockholders may prevent new investors from influencing significant corporate decisions.**

Our current directors, executive officers, holders of more than 5% of our total shares of common stock outstanding and their respective affiliates will, in the aggregate, beneficially own approximately 61.5% of our outstanding common stock. As a result, these stockholders will be able to exercise a controlling influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have significant influence over our management and policies for the foreseeable future. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your interests. The concentration of ownership could delay or prevent a change in control of our company or otherwise discourage a potential acquirer from attempting to obtain control of our company, which in turn could reduce the price of our common stock. In addition, these stockholders, some of which have representatives sitting on our board of directors, could use their voting control to maintain our existing management and directors in office, delay or prevent changes of control of our company, or support or reject other management and board of director proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

**Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.**

We have outstanding 38,911,606 shares of our common stock, assuming no exercise of outstanding options or warrants. None of the shares are subject to any lock-up agreements, and all are eligible for sale, subject in some cases to volume and other restrictions imposed by Rule 144. Sales of substantial amounts of our common stock in the public market, or even the perception that these sales could occur, could cause the trading price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

**We Will Incur Significant Costs As A Result Of Operating As A Public Company. We May Not Have Sufficient Personnel For Our Financial Reporting Responsibilities, Which May Result In The Untimely Close Of Our Books And Record And Delays In The Preparation Of Financial Statements And Related Disclosures.**

As a registered public company, we will experience an increase in legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), as well as new rules subsequently implemented by the SEC, has imposed various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and make some activities more time-consuming and costly.

If we are not able to comply with the requirements of Sarbanes-Oxley Act, or if we or our independent registered public accounting firm identifies additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC and other regulatory authorities.

**Our operating results may fluctuate in the future, which could cause our stock price to decline.**

Our quarterly and annual results of operations may fluctuate in the future as a result of a variety of factors, many of which are outside of our control. If our results of operations fall below the expectations of investors or any securities analysts who follow our common stock, the trading price of our common stock could decline substantially. Fluctuations in our quarterly or annual results of operations may be due to a number of factors, including, but not limited to:

- the timing and volume of purchases, use and reloads of our prepaid cards and related products and services;
- the timing and success of new product or service introductions by us or our competitors;
- seasonality in the purchase or use of our products and services;
- reductions in the level of interchange rates that can be charged;
- fluctuations in customer retention rates;
- changes in the mix of products and services that we sell;

- changes in the mix of retail distributors through which we sell our products and services;
- the timing of commencement, renegotiation or termination of relationships with significant our third party service providers;

- changes in our or our competitors' pricing policies or sales terms;
- the timing of commencement and termination of major advertising campaigns;
- the timing of costs related to the development or acquisition of complementary businesses;
- the timing of costs of any major litigation to which we are a party;
- the amount and timing of operating costs related to the maintenance and expansion of our business, operations and infrastructure;

- our ability to control costs, including third-party service provider costs;
- volatility in the trading price of our common stock, which may lead to higher stock-based compensation expenses or fluctuations in the valuations of vesting equity; and
- changes in the regulatory environment affecting the banking or electronic payments industries generally or prepaid financial services specifically.

**Our revenues from our pharmaceutical marketing cards fluctuate widely and are difficult to forecast.**

Our primary line of business is our pharmaceutical marketing cards. Revenues and costs associated with that line of business fluctuate more widely, and are more difficult to forecast, than other debit card lines of business. Even though a pharmaceutical card program is created at the direction of a pharmaceutical company, the pharmaceutical company often does not distribute the cards via their pharmaceutical sales representatives to various end points for distribution until days, weeks or months after it creates a program, often with little advance warning to the Company. We also experience dramatic usage swings based on collateral marketing efforts by the pharmaceutical companies, such as print, web, radio and television advertising campaigns that run in association with one of our card programs. Constant variations in program start and stop dates, variations in program timelines which range anywhere between six and thirty six months, and variations in program characteristics such as the monetary value of the load, all contribute to provide dramatic swings in the revenue generated from the programs. As a result, our revenues and cost of revenues do not correlate neatly to the number of cards in circulation or even the number of programs that are active at any given time. Consequently, it is not the composition of our revenue that causes the significant swing in revenues from period to period rather; rather, the start, usage and expiration of the pharmaceutical card program is solely dependent on the timing of marketing programs by the pharmaceutical companies. Over time, we intend to mitigate this uncertainty by offering more traditional prepaid card products, such as general spend reloadable, payroll and other types that will help to stabilize and minimize the changes for each period, and make our results more predictable.

**The price of our common stock may be volatile, and you could lose all or part of your investment.**

In the recent past, stocks generally, and financial services company stocks in particular, have experienced high levels of volatility. The trading price of our common stock may fluctuate substantially. The trading price of our common stock will depend on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock as you may be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market prices and trading volumes of financial services company stocks;
- actual or anticipated changes in our results of operations or fluctuations in our operating results;
- actual or anticipated changes in the expectations of investors or the recommendations of any securities analysts who follow our common stock;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- litigation involving us, our industry or both or investigations by regulators into our operations or those of our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- general economic conditions; and
- sales of shares of our common stock by us or our stockholders.

In the past, many companies that have experienced volatility in the market price of their stock have become subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

**If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our common stock, the trading price of our common stock could decline.**

We expect that the trading price for our common stock will be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who may elect to cover us or our business downgrade their evaluations of our common stock, the price of our common stock would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our common stock, which in turn could cause our stock price to decline.

**We do not intend to pay dividends for the foreseeable future.**

We have never declared or paid any cash dividends on our capital stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. As a result, you will likely receive a return on your investment in our common stock only if the market price of our common stock increases.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

**ITEM 2. PROPERTIES.**

We lease 4,200 square feet of office space at 1700 W Horizon Ridge Parkway, Suite 102, Henderson, Nevada 89012, under a lease that runs through May 31, 2013 at a rate of \$4,396 per month.

We lease space for our data center in Las Vegas, Nevada under a co-location agreement that has a term of 36 months ending July of 2015. The agreement provides for monthly \$1,314 per month, of which \$495 relates to space and the remainder is for power and other services provided under the agreement.

We believe that we have satisfactory title to the properties owned and used in our business, subject to liens for taxes not yet payable, liens incident to minor encumbrances, liens for credit arrangements and easements and restrictions that do not materially detract from the value of these properties, our interests in these properties, or the use of these properties in our business. We believe that our properties are adequate and suitable for us to conduct business in the future.

**ITEM 3. LEGAL PROCEEDINGS.**

The Company is not a party to any material legal proceedings at this time.

**ITEM 4. (REMOVED AND RESERVED).**

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.**

During 2012 and 2011, our common stock was traded on the OTCQB operated by OTC Markets Group, LLC under the symbol "TPNL". The company is now fully reporting and dual listed on the OTCQB and on the OTC Bulletin Board. The following table summarizes the low and high prices for our common stock for each of the calendar quarters of 2012 and 2011.

	2012		2011	
	High	Low	High	Low
First Quarter	0.14	0.08	0.24	0.10
Second Quarter	0.12	0.08	0.22	0.10
Third Quarter	0.30	0.08	0.15	0.045
Fourth Quarter	0.44	0.20	0.16	0.01





There were 491 shareholders of record of the common stock as of December 31, 2012. This number does not include an indeterminate number of shareholders whose shares are held by brokers in "street name."

Our common stock is subject to rules adopted by the Securities and Exchange Commission ("Commission") regulating broker dealer practices in connection with transactions in "penny stocks." Those disclosure rules applicable to "penny stocks" require a broker dealer, prior to a transaction in a "penny stock" not otherwise exempt from the rules, to deliver a standardized disclosure document prepared by the Commission. That disclosure document advises an investor that investment in "penny stocks" can be very risky and that the investor's salesperson or broker is not an impartial advisor, but rather paid to sell the shares. The disclosure contains further warnings for the investor to exercise caution in connection with an investment in "penny stocks," to independently investigate the security, as well as the salesperson the investor is working with and to understand the risky nature of an investment in this security. The broker dealer must also provide the customer with certain other information and must make a special written determination that the "penny stock" is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction. Further, the rules require that, following the proposed transaction, the broker provide the customer with monthly account statements containing market information about the prices of the securities. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for our common stock. Many brokers may be unwilling to engage in transactions in our common stock because of the added disclosure requirements, thereby making it more difficult for stockholders to dispose of their shares.

#### **Dividend Policy**

We have not declared any cash dividends on our Common Stock during our fiscal years ended on December 31, 2012 or 2011. Our Board of Directors has made no determination to date to declare cash dividends during the foreseeable future, but is not likely to do so. There are no restrictions on our ability to pay dividends.

#### **Securities Issued in Unregistered Transactions**

During the quarter ended December 31, 2012, we issued the following securities:

On October 30, 2012 the Company negotiated the conversion of a debt holder's promissory note totaling \$25,000 in exchange for 50,000 shares of the Company's common stock and warrants for 50,000 shares of common stock with an exercise price of \$0.50 expiring October 30, 2015

#### **Issuer Purchases of Equity Securities**

During the quarter ended December 31, 2012, we did not purchase any shares of our common stock.

#### **ITEM 6. SELECTED FINANCIAL DATA.**

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION and RESULTS OF OPERATION.

***Disclosure Regarding Forward Looking Statements***

This Annual Report on Form 10-K includes forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("Forward Looking Statements"). All statements other than statements of historical fact included in this report are Forward Looking Statements. In the normal course of our business, we, in an effort to help keep our shareholders and the public informed about our operations, may from time-to-time issue certain statements, either in writing or orally, that contain or may contain Forward-Looking Statements. Although we believe that the expectations reflected in such Forward Looking Statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, past and possible future, of acquisitions and projected or anticipated benefits from acquisitions made by or to be made by us, or projections involving anticipated revenues, earnings, levels of capital expenditures or other aspects of operating results. All phases of our operations are subject to a number of uncertainties, risks and other influences, many of which are outside of our control and any one of which, or a combination of which, could materially affect the results of our proposed operations and whether Forward Looking Statements made by us ultimately prove to be accurate. Such important factors ("Important Factors") and other factors could cause actual results to differ materially from our expectations are disclosed in this report, including those factors discussed in "Item 1A. Risk Factors." All prior and subsequent written and oral Forward Looking Statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Important Factors described below that could cause actual results to differ materially from our expectations as set forth in any Forward Looking Statement made by or on behalf of us.

***Overview***

We are a payment solutions company which currently focuses on providing prepaid debit program management and processing services. We provide a card processing platform consisting of proprietary systems and innovative software applications based on the unique needs of our programs. We have extended our processing business capabilities through recent platform expansion. We design and process prepaid programs that run on a customized processing platform through which our customers can define the services they wish to offer cardholders. Through this platform, we provide a variety of services including transaction processing, card creation and fulfillment, cardholder enrollment, value loading, cardholder account management, reporting, integrated voice response, and customer service.

The Company divides prepaid cards into two general categories: corporate and consumer reloadable, and non-reloadable cards.

**Reloadable Cards:** These types of cards are generally incentive, payroll or considered general purpose reloadable ("GPR") cards. Payroll cards are issued to an employee by an employer to receive the direct deposit of their payroll. GPR cards can also be issued to a consumer at a retail location or mailed to a consumer after completing an on-line application. GPR cards can be reloaded multiple times with a consumer's payroll, government benefit, a federal or state tax refund or through cash reload networks located at retail locations. Reloadable cards are generally open loop cards as described below.

**Non-Reloadable Cards:** These are generally one-time use cards that are only active until the funds initially loaded to the card are spent. These types of cards are gift or incentive cards. These cards may be open loop or closed loop. Normally these types of cards are used for purchase of goods or services at retail locations and cannot be used to receive cash.

These prepaid cards may be open loop, closed loop or semi-closed loop. Open loop cards can be used to receive cash at ATM locations or purchase goods or services by PIN or signature at retail locations. These cards can be used virtually anywhere that Visa® or MasterCard® is accepted. Closed loop cards can only be used at a specific merchant. Semi-closed loop cards can be used at several merchants such as a shopping mall.

The prepaid card market is one of the fastest growing segments of the payments industry in the U.S. This market has experienced significant growth in recent years due to consumers and merchants embracing improved technology, greater convenience, more product choices and greater flexibility. Prepaid cards have also proven to be an attractive alternative to traditional bank accounts for certain segments of the population, particularly those without, or who could not qualify for, a checking or savings account.

We have developed prepaid card programs for healthcare reimbursement payments, pharmaceutical assistance, corporate and incentive rewards, and are expanding into payroll cards, general purpose re-loadable cards, travel cards, and expense reimbursement cards. Our cards are offered to end users through our relationships with bank issuers.

Our products and services are aimed at capitalizing on the growing demand for stored value and reloadable ATM/prepaid card financial products in a variety of market niches. Our proprietary platform is scalable and customizable, delivering cost benefits and revenue building opportunities to partners. We manage all aspects of the debit card lifecycle, from managing the card design and approval processes with banking partners and card associations, to production, packaging, distribution, and personalization. We also oversee inventory and security controls, renewals, lost and stolen card management and replacement.

Currently, the primary market for our cards is the healthcare reimbursement market, pharmaceutical marketing or drug sampling market, and corporate incentive card market, although we are expanding into other markets for stored value cards, including, pharmacy benefits cards, payment distribution and reimbursement cards and payroll cards. In the fourth quarter of 2011, we completed integration and launch of an incentive reward program targeting plasma donation centers. We anticipate steady growth of these programs over the next twenty-four months, having launched eighteen donation centers to date.

During the fourth quarter of 2011, we certified our newest card processing platform. Our platform expansion related primarily to the design and development of our processing systems and related software applications and card management platform. We expect to continue our practice of investing an appropriate level of resources to maintain, enhance and extend the functionality of our proprietary systems and existing software applications, to develop new and innovative software applications and systems in response to the needs of our customers, and to enhance the capabilities surrounding our infrastructure. In addition, we intend to offer products and services that are compatible with new and emerging delivery channels. We anticipate the launch of our new platform in the first quarter of 2013.

As part of our platform expansion development process, we evaluate current and emerging technology for applicability to our existing and future software platform. To this end, we engage with various hardware and software vendors in evaluation of various infrastructure components. Where appropriate, we use third-party technology components in the development of our software applications and service offerings. Third-party software may be used for highly specialized business functions, which we may not be able to develop internally within time and budget constraints. Our principal target markets for processing services include prepaid card issuers, retail and private-label

issuers, small third-party processors, and small and mid-size financial institutions in the United States and in emerging international markets.

To date, we have focused on extensive development and limited sales activities in each of our target markets, as well as putting in place the infrastructure and processes to be able to scale the business successfully. This includes the design and development of a fully integrated IVR system and in house call center of which we anticipate taking live sometime in the first quarter of 2013. The company plans to devote more extensive resources to sales and marketing activities in the near future. We sell our products directly to customers in the U.S. but may work with a small number of resellers and third parties in international markets to identify, sell and support targeted opportunities.

In order to expand into new markets, we will need to invest additional funds in technology improvements, sales and marketing expenses, and regulatory compliance costs. We are considering raising capital in a private placement to enable us to diversify into new market verticals. If we do not raise new capital, we believe that we will still be able to expand into new markets using internally generated funds, but our expansion will not be as rapid.

The Company is in the process of adding an additional bank partner to our newest processing platform and is anticipating roll out of new products with this bank in early 2013. We will work with various banks to distribute prepaid cards to consumers throughout the U.S. The Company will work with these banks to develop additional financial services for consumers, and to increase the functionality of both the programs and prepaid card usage.

### ***Results of Operations***

#### ***Fiscal Years Ended December 31, 2012 and 2011***

Revenues for the year ended December 31, 2012 were \$6,700,388, an increase of \$3,400,175 compared to the year ended December 31, 2011, when revenues were \$3,300,213. The increase in revenue is due to two factors: the first factor being the launch of several new card programs during 2012; and the second factor due to an increase in processing, program management, development, fulfillment and customer service fees compared to the prior year. We expect our revenues to continue to trend upward as the economy improves and as we roll out additional debit card programs utilizing our newest processing platform, diversify our product line and increase the number of support services offered to our customers.

Cost of revenues for the year ended December 31, 2012 were \$5,305,359, an increase of \$2,902,234 compared to the year ended December 31, 2011, when cost of revenues were \$2,403,125. Our costs of revenues have increased primarily due to an increase in transaction processing fees. Cost of revenues constituted approximately 79% and 74% of total revenues in 2012 and 2011, respectively. Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, card production costs, customer service and program management expenses, application integration setup and sales expense.

Our revenues and cost of revenues from our pharmaceutical marketing cards fluctuate widely due to a variety of factors beyond our control. The pharmaceutical companies often do not distribute the debit cards via their pharmaceutical sales representatives to various end points for distribution until days, weeks or months after they create a program, often with little advance warning to us. We also experience dramatic usage swings based on collateral marketing efforts by the pharmaceutical companies, such as print, web, radio and television advertising campaigns that run in association with one of our card programs. Constant variations in program start and stop dates,

variations in program timelines which range anywhere between six and thirty six months, and variations in program characteristics such as the monetary value of the load, all contribute to provide dramatic swings in the revenue generated from the programs. As a result, our revenues and cost of revenues do not correlate neatly to the number of cards in circulation or even the number of programs that are active at any given time.

Gross profit for the year ended December 31, 2012 was \$1,359,029, an increase of \$488,941 compared to the year ended December 31, 2011, when gross profit was \$870,088. Our overall gross profit percentage approximated 21% and 26% during the fiscal years 2012 and 2011 which is consistent with our overall expectations.

Selling, general and administrative expenses for the year ended December 31, 2012 were \$760,928, an increase of \$213,234 compared to the year ended December 31, 2011, when selling, general and administrative expenses were \$547,694. The increase in selling, general and administrative expenses was consistent with our expectations of increased staffing and technological expenses relating to launch of several new programs. We anticipate selling, general and administrative to increase as we continue to ramp up our investment in new technologies, IT staffing and infrastructure as our overall revenues increase.

In the fiscal year ended December 31, 2012, we recorded an operating income of \$574,851, as compared to an operating income of \$278,886 in the fiscal year ended December 31, 2011, and improvement of \$295,965.

Other income (expense) for the year ended December 31, 2012 was \$1,233,723, an increase in net other income of \$1,297,423 compared to the prior year ended December 31, 2011 when other (expense) was \$(63,700). The overall increase in net other income (expense) in 2012 is primarily due to a gain on debt extinguishment totaling \$1,295,879.

Our net income for the year ended December 31, 2012 was \$1,816,861, an increase of \$1,601,570 compared to the year ended December 31, 2011, when we recorded a net income of \$215,291. The overall change in net income is attributable to the aforementioned factors.

### **Liquidity and Capital Resources**

The following table sets forth the major sources and uses of cash for our last two fiscal years ended December 31, 2012 and 2011:

	Year ended December 31,	
	2012	2011
Net cash provided by operating activities	\$2,055,152	\$225,922
Net cash (used in) investing activities	(234,317 )	(199,310)
Net cash (used in) financing activities	(11,750 )	(5,000 )
Net increase in unrestricted cash and cash equivalents	\$1,809,085	\$21,612

### *Comparison of Fiscal 2012 and 2011*

In fiscal 2012 and 2011, we financed our operations primarily through internally generated funds.

Operating activities provided \$2,055,152 of cash in 2012, as compared to \$225,922 of cash in fiscal 2011. Major non-cash items that affected our cash flow from operations in 2012 were non-cash gain on extinguishment of debts of \$1,295,879. Our operating assets and liabilities provided \$1,397,832 of cash, most of which resulted from an increase in collections of our accounts receivable of \$1,168,987, and a decrease in our payables and accrued liabilities of \$240,925.





Investing activities used \$234,317 of cash in 2012, as compared to \$199,310 of cash in 2011, all of which related to platform expansion and the purchase of equipment used in our business.

Financing activities supplied (used) (\$11,750) of cash in 2012 as compared to (\$5,000) of cash in 2011. Substantially all of the cash used in financing activities both years was from the repayment of notes payable.

#### *Liquidity and Sources of Financing*

In both 2012 and 2011, our operations were focused on developing our payment platform, which was financed from operations.

We believe that our available cash on hand at December 31, 2012 of \$1,872,911 and revenues anticipated for 2013 will be sufficient to sustain our operations for the next twelve months. We were successful at convincing some of our larger debt holders to convert their loans into a combination of common stock and warrants during 2012, and we plan to request that some of our remaining creditors convert their debt into equity to improve our financial position. We will seek to obtain additional capital during the next twelve months through an equity offering.

#### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

#### **Critical Accounting Policies and Estimates**

Our significant accounting policies are described in Note 2 of Notes to Financial Statements. At this time, we are not required to make any material estimates and assumptions that affect the reported amounts and related disclosures of assets, liabilities, revenue, and expenses.

Our estimates will be based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects. Actual results may differ significantly from our estimates. Our estimates will be based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects. Actual results may differ significantly from our estimates.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK.**

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The financial statements required by Article 8 of Regulation S-X are attached hereto as Exhibit A.

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

During the two fiscal years ended December 31, 2012, we have not filed any Current Report on Form 8-K reporting any change in accountants in which there was a reported disagreement on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.



ITEM 9A. CONTROLS AND PROCEDURES.

**Management's Report on Internal Control over Financial Reporting and Remediation Initiatives**

*Evaluation of Disclosure Controls and Procedures*

Mark Newcomer, our chief executive officer, and Arthur De Joya, our chief financial officer, are responsible for establishing and maintaining our disclosure controls and procedures. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in those reports is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2012. Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of the evaluation date, such controls and procedures were effective.

*Changes in internal controls*

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

*Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of our principal executive officer and principal financial officer and implemented by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2012 we conducted an evaluation, under the supervision and with the participation of our chief executive officer (our principle executive officer), our chief operating officer and our chief financial officer (also our principal financial and accounting officer) of the effectiveness of our internal control over financial reporting based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls.

A material weakness is defined within the Public Company Accounting Oversight Board's Auditing Standard No. 5 as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Based upon this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2012.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

ITEM 9A(T). controls and procedures.

None.

ITEM 9B. OTHER INFORMATION.

None.

### PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS and CORPORATE GOVERNANCE.

Listed below are the directors and executive officers of the Company.

<u>Name</u>	<u>Age</u>	<u>Present Positions with Company</u>
Mark R. Newcomer	47	President & CEO, Chairman, Director
Arthur De Joya	47	CFO
Christopher E. Newcomer	51	CTO
David R. Weiler	57	Director
Daniel H. Spence	49	CIO, Director
Anthony E. DePrima, Esq.	73	Secretary, Director

The following information sets forth the backgrounds and business experience of the directors and executive officers.

*Mark R. Newcomer, Chairman, CEO, President, Director.* Mr. Newcomer serves as our President and Chief Executive Officer and has served in this capacity and as a director since March 2006. From February of 2001 to present, Mr. Newcomer served as chairman and CEO of 3PEA Technologies, Inc., a payment solutions company he co-founded in 2001 with Mr. Spence. Mr. Newcomer continues to be a driving force in guiding the company's growth through technology investments, acquisitions, new product lines, and strategic partnerships. Mr. Newcomer attended Cal-Poly San Luis Obispo where he majored in Bio-Science. We believe Mr. Newcomer should serve as our chairman based on the perspective and experience he brings to our board of directors as our founder and Chief Executive Officer, which adds historical knowledge, operational expertise and continuity to our board of directors.

*David R. Weiler, Director.* Mr. Weiler serves as a director and has served as a director since March 2006. Mr. Weiler has served as a Director of 3PEA Technologies, Inc. since August of 2002. From 1979-1983, Mr. Weiler began his career as a Systems Engineer and Systems Management Specialist in IBM Corporation's Data Processing Division. From 1983 to 1985, Mr. Weiler served as a Management Consultant in the Chicago office of Touche Ross & Co., and from 1985 to 1988, he was a Senior Marketing Associate for LaSalle Partners, Inc. In 1988 Mr. Weiler relocated to Nashville, TN, to begin a career in the Healthcare Information Industry, including positions as Vice President, Sales for Inforum, Inc. (1988-1995), Vice President, Sales for Criterion Health Strategies (1995-1997), and Vice President, Sales and Client Services for the MedStat Group (1997-2000). From 2000 to the present, Mr. Weiler has been self employed as a private investor. In 1978, Mr. Weiler received a BA from the Northwestern University College of Arts and Sciences, where he majored in Economics. In 1979, he received a Masters of Management degree from the Kellogg Graduate School of Management at Northwestern University, where he majored in Marketing, Quantitative Methods, and Managerial Economics. We believe that Mr. Weiler should serve as a director based on his extensive experience as a systems engineer and the healthcare information industry.

*Daniel H. Spence, Chief Information Officer, Director.* Mr. Spence serves as our Chief Information Officer and has served as a director since March 2006. Prior to founding 3PEA Technologies, Inc. with co-founder Mark Newcomer, Mr. Spence designed and developed secure middleware for Internet financial processing systems in various contract positions. From 1995-1997 Mr. Spence was Systems Manager at The Associated Press, From 1997-1999, Mr. Spence was Director of Technology Planning at The Associated Press, the world's largest news gathering organization with over 4000 employees in 227 countries. From 1984-1994, Mr. Spence was with Coca-Cola in Australia implementing financial and line of business systems for Coca-Cola operations worldwide. He has 20 years experience deploying large-scale technology solutions for major international corporations. We believe that Mr. Spence should serve as a director based on his experience in internet financial processing systems and as a founder of our company.

*Anthony E. DePrima, JD., Secretary, Director.* Mr. DePrima serves as our Secretary and has served as a director since October 2009. Mr. DePrima is a highly experienced attorney licensed in Arizona with broad corporate management experience. He has been an active member of the State Bar of Arizona since April 1967 to the present, and a former member of the American Bar Association. During this time he served as a Member of the U.S. Department of Commerce District Export Council for District of Arizona, and Chairman of the International Section of the Arizona Bar, Chairman of the Legal Advisory Committee of the Arizona Mexico Commission, and Director of the Arizona Mexico Commission. His law practice has included Corporate, Commercial, Business, International Trade and US Customs Law, as well as general trial practice with numerous court and jury trials. Mr. DePrima is currently a member of Lerch & DePrima PLC, attorneys. He is a Director and General Counsel of Coal Brick Oven Pizzeria, Inc., a Delaware corporation (Grimaldi's Pizzeria chain of restaurants). For over 20 years he has been Director and Secretary of Media Concepts, Inc., an Arizona corporation which publishes Native Peoples Magazine. Through the years he has held positions of Director, Chief Executive Officer, President, Secretary, Executive Vice President, and Chief Financial Officer of medium sized publicly traded companies. Mr. DePrima has a BS in General Business from

Arizona State University School of Business, and Juris Doctorate from the University of Arizona. We believe that Mr. DePrima should serve as a director based on his extensive experience as an attorney and as an officer and director of other public companies.

Mark Newcomer and Christopher Newcomer are brothers.

### **Executive Officers Who Are Not Directors**

*Arthur De Joya, CPA, Chief Financial Officer.* Mr. De Joya has served as our Chief Financial Officer since October 2007. Mr. De Joya has over 20 years of experience in both public and private accounting mainly working with publicly traded companies. Mr. De Joya's experience in the private sector includes serving as financial advisor and chief financial officer for various publicly traded companies. Mr. De Joya's experience in public accounting includes being employed with KPMG LLP working with many large publicly traded companies. Mr. De Joya is a partner and co-founder of De Joya Griffith & Company, LLC (PCAOB registered firm), a certified public accounting and consulting firm primarily working with publicly traded companies. Mr. De Joya received his B.S. in B.A. from the University of Nevada, Las Vegas and is a Certified Public Accountant licensed in the State of Nevada. He is a member of the American Institute of Certified Public Accountants and Nevada Society of Certified Public Accountants.

*Christopher E. Newcomer, Chief Technology Officer.* Mr. Newcomer serves as our Chief Technology Officer. From 2006 to 2009, Mr. Newcomer has played a key role in software development and architecture of our processing platforms. From 2002 to 2006, Mr. Newcomer served as founder and President of Newcomputing, a technology service provider and network design company specializing in the development and implementation of business software. Mr. Newcomer received his B.S. in Computer Science in 2000 from California State University San Bernardino.

None of the above directors and executive officers has been involved in any legal proceedings as listed in Regulation S-K, Section 401(f).

### **Board Of Directors**

Our board currently consists of four directors. During 2012, our board of directors had 5 meetings. All directors attended every meeting held during the time in which they served as directors. There have been no material changes to the procedures by which security holders may recommend nominees to the board of directors.

### **Board Committees**

We do not have an audit, nominating or compensation committee. We intend, however, to establish an audit committee and a compensation committee of our Board of Directors in the future, once we have independent directors. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditor, evaluating our accounting policies and our system of internal controls. The compensation committee will be primarily responsible for reviewing and approving our salary and benefits policies (including stock options) and other compensation of our executive officers.

We do not have an audit committee financial expert on our board because we do not have any independent directors.



**Code of Ethics**

Our Board of Directors has adopted a Code of Business Conduct and Ethics, which is filed herewith as Exhibit 14.

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

During the fiscal year ended 2012, the officers and directors were current on their filing obligations.

**ITEM 11. EXECUTIVE COMPENSATION.**

The following table sets forth the compensation earned by our named Executive Officers during the last three fiscal years and other officers who received compensation in excess of \$100,000 during any of the last three fiscal years. In accordance with Item 402(a)(5), we have omitted certain columns from the table required by Item 402(c).

**Summary Compensation Table**

Name and Principal Position	Year	Salary \$	Stock Grant \$ (1)	Total \$
Mark Newcomer, President & CEO	2012	\$144,000	\$10,433	\$154,433
	2011	\$95,000	\$—	\$95,000

(1) In August 2012, the Company granted a total of 5,000,000 shares of common stock to various officers and directors of the Company with a total value of \$680,000 or \$0.14 per share (including a 15% discount of fair market value due to these shares being restricted and lacking market liquidity). The 5,000,000,00 shares granted have a vesting period of 5 years of which four months have vested with an approximate value of \$52,000 for the year ended December 31, 2012 and which a payable has been recorded for the same vested amount as of December 31, 2012. As of December 31, 2012, none of the 5,000,000 shares granted have been issued.

**Employment Agreements**

We do not have any employment agreements with our officers.

**Director Compensation**

Name	Fees Earned or Paid in Cash (\$)	Stock Grants (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
David Weiler	—	\$5,216	—	—	—	\$ 8,000	\$13,216
Daniel Spence	—	\$10,433	—	—	—	\$ 87,500	\$97,933
Anthony DePrima	—	\$5,216	—	—	—	—	\$5,216

We do not have any policy regarding compensation of our directors.

# ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information, as of March 05, 2011, with respect to the beneficial ownership of our common stock by (i) all of our directors, (ii) each of our executive officers named in the Summary Compensation Table, (iii) all of our directors and named executive officers as a group, and (iv) all persons known to us to be the beneficial owner of more than five percent (5%) of any class of our voting securities.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Mark Newcomer (2)	7,136,027	18%
Daniel H. Spence (2)	6,636,027	16.8%
David R. Weiler (2)	3,752,964	9.5%
Cynthia Korte 6929 E Hayden Rd, Suite C-4 PBM #487 Scottsdale, AZ 85250	2,442,000	6.2%
Anthony E. DePrima (2)	2,308,177	5.8%
Arthur De Joya (2)	1,176,027	3.0%
Christopher E. Newcomer (2)	1,126,027	2.5%
All Officers and Directors as a Group	22,135,249	56%

(1) Based upon 38,911,606 shares of Common Stock issued and outstanding as of March 5, 2013 and 630,137 shares vested from the 5,000,000 shares granted in August 2012, but not issued as of March 31, 2013.

(2) The address for the shareholder is 1700 W Horizon Ridge Pkwy, Ste 102, Henderson, NV 89012.

(3) All reported shares are owned outright.

### Equity Compensation Plan Information

The following table provides information as of December 31, 2012 about our outstanding compensation plans under which shares of stock have been authorized:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance (c)
Equity compensation plans approved by security holders	--	--	--
Equity compensation plans not approved by security holders	--	--	--
Total	--	--	--

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

We are indebted to Cynthia Korte in the amount of \$501,000 as of December 31, 2012 and 2011 pursuant to a note that bears interest at 8.5% per annum, and which is unsecured and due on demand. Ms. Korte is a related party by virtue of her ownership of 2,442,000 shares of common stock, or 6.2% of our outstanding shares. The loan was made and the shares were issued in 2004. The indebtedness is guaranteed by Mark Newcomer, who is our Chairman and Chief Executive Officer, and Daniel Spence, who is our Chief Information Officer and one of our directors.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

In the last two fiscal years ended December 31, 2012 and 2011, we have retained Sarna & Company as our principal accountants. We understand the need for our principal accountants to maintain objectivity and independence in their audit of our financial statements. To minimize relationships that could appear to impair the objectivity of our principal accountants, our board has restricted the non-audit services that our principal accountants may provide to us primarily to tax services and audit related services. We are only to obtain non-audit services from our principal accountants when the services offered by our principal accountants are more effective or economical than services available from other service providers, and, to the extent possible, only after competitive bidding. The board has adopted policies and procedures for pre-approving work performed by our principal accountants.

After careful consideration, the board has determined that payment of the audit fees is in conformance with the independent status of our principal independent accountants.

**Audit Fees:** The aggregate fees billed for the fiscal years ended December 31, 2012 and 2011 for professional services rendered by the principal accountant for the audit of our annual financial statements for 2012 and 2011 was \$15,000 and \$12,000, respectively.

**Audit-Related Fees:** The aggregate fees billed for the fiscal years ended December 31, 2012 and 2011 for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review for the audit or review of our annual financial statements and the review of financial statements and are not reported under the previous item was \$0 and \$0 respectively.

**Tax Fees:** The aggregate fees billed for the fiscal years ended December 31, 2012 and 2011 for professional services rendered by the principal accountant for tax compliance and tax planning was \$0 and \$0, respectively.

**All Other Fees:** The aggregate fees billed for the fiscal years ended December 31, 2012 and 2011 for products and services provided by the principal accountant other than the services reported above was \$0 and \$0, respectively.

#### PART IV

#### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) List the following documents filed as a part of the report:

- (1) All financial statements: Audited financial statements of 3Pea International, Inc. as of December 31, 2010 and 2011, and for the years ended December 31, 2010 and 2011, including a balance sheet, statement of operations, statement of cash flows, and statement of changes in stockholders' deficit
- (2) Those financial statement schedules required to be filed by Item 8 of this form, and by paragraph (b) below: none.
- (3) Those exhibits required by Item 601 of Regulation S-K (Section 229.601 of this chapter) and by paragraph (b) below. Identify in the list each management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 15(b) of this report.

#### Exhibit Number Description of Exhibits

3.1	Amended and Restated Articles of Incorporation dated June 30, 2010 (1)
3.2	By-Laws (1)
4.1	Form of common stock certificate (1) (2)
4.2	Form of Warrant (1)
10.1	Share Exchange Agreement between 3Pea International, Inc. and WOW Technologies, Inc. (1)

- 10.2 Plan of Reorganization of Wow Technologies, Inc. (1)
  - 10.3 Promissory Note dated October 6, 2004 by and between 3Pea Technologies, Inc. and Cynthia Korte (1)
  - 10.4 Form of Convertible Promissory Note (1)
  - 10.5 Card Sponsorship and Services Agreement dated July 16, 2007 by and between 3Pea International, Inc. and Monterey County Bank (3) (4)
  - 14 Code of Business Conduct and Ethics (1)
  - 11 Computation of Ratio of Earnings to Combined Fixed Charges and Preference Dividends (5)
  - 21\* Subsidiaries of Registrant
  - 31.1\* Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
  - 31.2\* Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
  - 32.1\* Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
  - 32.2\* Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- \* Filed herewith.

- (1) Incorporated by reference to our Registration Statement on Form 10 filed on September 16, 2010.
  - (2) Information pertaining to our common stock is contained in our Articles of Incorporation and Bylaws.
  - (3) Incorporated by reference to our Registration Statement on Form 10/A filed on December 1, 2010.
- Registrant has omitted portions of the referenced exhibit and filed such exhibit separately with the Securities and
- (4) Exchange Commission pursuant to a request for confidential treatment under Rule 24b-2 promulgated under the Securities Exchange Act.
  - (5) Included within financial statements.

## SIGNATURES

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

3PEA  
INTERNATIONAL, INC.

Dated: April 1, 2013      By:      /s/ Mark Newcomer  
Mark Newcomer, Chief  
Executive Officer

Dated: April 1, 2013      By:      /s/ Arthur De Joya  
Arthur De Joya, Chief  
Financial Officer  
(principal financial and  
accounting officer)

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and on the dates indicated.

Dated: April 1, 2013 By: /s/ Mark Newcomer  
Mark Newcomer, Chairman and Chief Executive Officer

Dated: April 1, 2013 By: /s/ David R. Weiler  
David R. Weiler, Director

Dated: April 1, 2013 By: /s/ Daniel Spence  
Daniel Spence, Chief Information Officer, Director

Dated: April 1, 2013 By: /s/ Anthony DePrima  
Anthony DePrima, Secretary, Director

EXHIBIT A

3PEA INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

WITH AUDIT REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

3Pea International, Inc.

Las Vegas, Nevada

We have audited the accompanying consolidated balance sheet of 3Pea International, Inc. as of December 31, 2012 and December 31, 2011, and the related consolidated statements of income, stockholders' deficit, and cash flows for the years then ended. 3Pea International, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of 3Pea International, Inc., as of December 31, 2012 and December 31, 2011, and the consolidated results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in The United States of America.

*/s/ Sarna & Company*

Sarna & Company,

Certified Public Accountants

Thousand Oaks, California

March 30, 2013

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**3PEA INTERNATIONAL, INC.****BALANCE SHEETS****DECEMBER 31, 2012 AND 2011**

	December 31, 2012 (Audited)	December 31, 2011 (Audited)
<b>ASSETS</b>		
Current assets		
Cash	\$1,872,911	\$63,826
Cash Restricted	5,050,867	5,514,661
Accounts Receivable	81,333	1,250,320
Prepaid Expenses	16,050	3,970
Total current assets	7,021,161	6,832,777
Fixed assets, net	108,938	88,720
Intangible and other assets		
Deposits	3,551	3,551
Intangible assets, net	326,625	171,775
Total assets	\$7,460,275	\$7,096,823
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$2,212,312	\$2,001,047
Customer card funding	5,050,867	5,514,661
Notes payable- related parties	538,000	538,000
Convertible note payable	—	10,000
Notes payable	169,400	1,943,900
Total current liabilities	7,970,579	10,007,608
Total liabilities	7,970,579	10,007,608
Commitments and contingencies	—	—
Stockholders' deficit		
Common stock; \$0.001 par value; 150,000,000 shares authorized, 38,911,606 and 35,250,391 issued and outstanding at December 31, 2012 and December 31, 2011, respectively	38,912	35,250
Additional paid-in capital	5,563,931	4,975,686
Treasury stock at cost, 303,450 shares	(150,000 )	(150,000 )
Accumulated deficit	(6,012,243)	(7,829,104 )
Total 3Pea International, Inc.'s stockholders' deficit	(559,400 )	(2,968,168 )
Noncontrolling interest	49,096	57,383
Total stockholders' deficit	(510,304 )	(2,910,785 )

Total liabilities and stockholders' deficit	\$7,460,275	\$7,096,823
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See accompanying notes to financial statements.

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**3PEA INTERNATIONAL, INC.****STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	For the year ended December 31, 2012	For the year ended December 31, 2011
Revenues	\$6,700,388	\$3,300,213
Cost of revenues	5,305,359	2,430,125
Gross profit	1,395,029	870,088
Operating expenses		
Depreciation and amortization	59,250	43,508
Selling, general and administrative	760,928	547,694
Total operating expenses	820,178	591,202
Income from operations	574,851	278,886
Other income (expense)		
Interest expense	(62,156 )	(63,700 )
Gain on forgiveness of debts	1,295,879	—
Total other income (expense)	1,233,723	(63,700 )
Income before provision for income taxes and noncontrolling interest	1,808,574	215,186
Provision for income taxes	—	—
Net income before noncontrolling interest	1,808,574	215,186
Net loss attributable to the noncontrolling interest	(8,287 )	(105 )
Net income attributable to 3Pea International, Inc.	\$1,816,861	\$215,291
Net income per common share - basic and fully diluted	\$0.05	\$0.00
Weighted average common shares outstanding - basic	36,526,943	35,248,827
Weighted average common shares outstanding - fully diluted	39,574,970	35,248,827

See accompanying notes to financial statements.

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**3PEA INTERNATIONAL, INC.****STATEMENT OF STOCKHOLDERS' DEFICIT****FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	Stockholders' Deficit Attributable to 3Pea International, Inc.						
	Common Stock Shares	Amount	Additional Paid-in Capital	Treasury Stock Amount	Accumulated Deficit	Non- controlling Interest	Total Stockholders' Deficit
Balance, December 31, 2010	35,245,069	35,245	4,974,756	(150,000)	(8,044,396 )	57,488	(3,126,906 )
Issuance of stock related to share exchange with Wow Technologies \$0.34 per share	5,322	5	930	—	—	—	935
Net income (loss)	—	—	—	—	215,291	(105 )	215,186
Balance, December 30, 2011	35,250,391	35,250	4,975,686	(150,000)	(7,829,104 )	57,383	(2,910,785 )
Issuance of stock and warrants for debt conversion	3,385,500	3,386	555,309	—	—	—	558,695
Issuance of stock for services, at \$0.10 per share	75,000	75	14,925	—	—	—	15,000
Issuance of stock for signing bonus, at \$0.09 per share	200,000	200	17,800	—	—	—	18,000
Issuance of stock related to share exchange with Wow Technologies, \$0.30 per share	715	1	211	—	—	—	212
Net income (loss)	—	—	—	—	1,816,861	(8,287 )	1,808,574
Balance, December 31, 2012	38,911,606	38,912	5,563,931	(150,000)	(6,012,243 )	49,096	(510,304 )

See accompanying notes to financial statements.

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**3PEA INTERNATIONAL, INC.****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	For the year ended December 31, 2012	For the year ended December 31, 2011
Cash flows from operating activities:		
Net income	\$1,816,861	\$215,291
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in noncontrolling interest	(8,287 )	(105 )
Stock based expenses	85,376	935
Depreciation and amortization	59,249	43,508
Gain on extinguishment of debts	(1,295,879)	–
Changes in operating assets and liabilities:		
Change in restricted cash	463,794	(1,105,593)
Change in accounts receivable	1,165,437	394,567
Change in prepaid expenses	(8,530 )	–
Change in deposits	–	(3,970 )
Change in accounts payable and accrued liabilities	240,925	(424,304 )
Change in customer card funding	(463,794 )	1,105,593
Net cash provided by operating activities	2,055,152	225,922
Cash flows from investing activities:		
Purchase of fixed assets	(76,367 )	(38,930 )
Purchase of intangible assets	(157,950 )	(160,380 )
Net cash used in investing activities	(234,317 )	(199,310 )
Cash flows from financing activities:		
Payments on notes payable-related parties	(11,750 )	(5,000 )
Net cash used in financing activities	(11,750 )	(5,000 )
Net change in cash	1,809,085	21,612
Cash, beginning of period	63,826	42,214
Cash, end of period	\$1,872,911	\$63,826

See accompanying notes to financial statements.

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**3PEA INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2010 (AUDITED)**

1. Description of business, HISTORY and summary of significant policies

Description of business – 3PEA International, Inc. (the “Company” or “3PEA”) was incorporated on August 24, 1995 under the name of Antek International, Inc. The Company had undergone several name changes which up through February 2006 had done business under the name of Tika Corporation. On February 28, 2006 the Company or formerly Tika Corporation consummated a Stock Purchase Agreement (the “Agreement”) with 3Pea Technologies, Inc. (“3Pea Tech”) to acquire 100% of the outstanding capital stock of 3Pea Tech in exchange for 22,926,211 shares of the Company’s common stock (“3Pea Transaction”). As a result, 3Pea Tech became a wholly owned subsidiary of the Company. Prior to the 3Pea Transaction, the Company was a non-operating public company with 495,809 shares of common stock issued and outstanding. 3Pea was a privately held operating company originally engaged in the developing the first consumer-oriented ATM/Debit card w/PIN Internet payment solution. The 3Pea Transaction is considered to be a capital transaction in substance, rather than a business combination. In as much, the 3Pea Transaction is equivalent to the issuance of shares by a private company (3Pea Tech) for the assets of an operational public company, accompanied by a recapitalization. The accounting for the 3Pea Transaction is treated as a reverse acquisition, except goodwill is not recorded. Accordingly, the historical financial information of the accompanying financial statements are that of 3Pea Tech which the 22,926,211 shares issued by the Company are considered the historical outstanding shares of 3Pea Tech for accounting purposes.

In September 2007, the Company acquired control of Wow Technologies, Inc., a payment solutions company with a proprietary card processing platform, in a share exchange agreement whereby Wow Technologies, Inc. became a subsidiary of 3PEA International, Inc.

On October 19, 2006, the Company changed its name to 3PEA International, Inc.

About 3PEA International, Inc.

3PEA International, Inc. is a payment solutions company which currently focuses on providing prepaid debit program management and processing services. 3PEA provides a card processing platform consisting of proprietary systems and innovative software applications. 3PEA develops prepaid card programs for healthcare reimbursement payments, pharmaceutical assistance, corporate and incentive rewards, and are expanding into payroll cards, general purpose

re-loadable cards, travel cards, and expense reimbursement cards. 3PEA cards are offered to end users through our relationships with bank issuers.

Principles of consolidation – The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Year end – The Company's year-end is December 31.

Use of estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – The Company considers all highly liquid investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents for the purposes of the statement of cash flows.

Fixed assets – Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which are generally 3 to 10 years. The cost of repairs and maintenance is charged to expense as incurred. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Goodwill and intangible assets - Beginning January 1, 2002, the Company adopted Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 350, “Intangibles-Goodwill and Other”. According to this codification, goodwill and intangible assets with indefinite lives are no longer subject to amortization, but rather an annual assessment of impairment by applying a fair-value based test. Fair value for goodwill is based on discounted cash flows, market multiples and/or appraised values as appropriate. Under FASB ASC 350, the carrying value of assets are calculated at the lowest level for which there are identifiable cash flows.

FASB ASC 350 requires the Company to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value.

Fair value of financial instruments – FASB ASC 825.10.50, “Financial Instruments”, requires the Company to disclose, when reasonably attainable, the fair market values of its assets and liabilities which are deemed to be financial instruments. The carrying amounts and estimated fair values of the Company’s financial instruments approximate their fair value due to the short-term nature.

Earnings (loss) per share - Basic earnings (loss) per share exclude any dilutive effects of options, warrants and convertible securities. Basic earnings (loss) per share is computed using the weighted-average number of outstanding common stocks during the applicable period. Diluted earnings per share is computed using the weighted-average number of common and common stock equivalent shares outstanding during the period. Common stock equivalent shares are excluded from the computation if their effect is antidilutive.

Income taxes – The Company accounts for income taxes under an asset and liability approach. This process involves calculating the temporary and permanent differences between the carrying amounts of the assets and liabilities for

financial reporting purposes and the amounts used for income tax purposes. The temporary differences result in deferred tax assets and liabilities, which would be recorded on the Company's consolidated balance sheets in accordance with ASC 740, which established financial accounting and reporting standards for the effect of income taxes. The Company must assess the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes that recovery is not likely, the Company must establish a valuation allowance. Changes in the Company's valuation allowance in a period are recorded through the income tax provision on the consolidated statements of operations.

On January 1, 2007, the Company adopted ASC 740-10 (formerly known as FIN No. 48, Accounting for Uncertainty in Income Taxes). ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of ASC 740-10, the Company recognized no material adjustment in the liability for unrecognized income tax benefits.



Revenue and expense recognition – We recognize revenue when (1) there is persuasive evidence of an arrangement existing, (2) delivery has occurred, (3) our price to the buyer is fixed or determinable and (4) collectability of the receivables is reasonably assured. We recognize the costs of these revenues at the time revenue is recognized. Any fees paid up front are deferred until such time such services have been considered rendered. As of December 31, 2012 and 2011, there are no deferred revenues recorded.

We generate the following types of revenues:

- Administration and usage fees, charged to our prepaid card clients when our programs are created, distributed or reloaded. Such revenues are recognized when such services are performed.
- Transaction fees, paid by the applicable networks and passed through by our card issuing banks when our SVCs are used in a purchase or ATM transaction. Such revenues are recognized when such services are performed.
- Maintenance, administration, transaction fees, charged to an SVC and not under any multiple element arrangements. Such revenues are recognized when such services are performed.
- Program maintenance management fees charged to our clients. Such revenues are not under any multiple element arrangements and are recognized when such services are performed.
- Software development and consulting services to our clients. Such revenues are recognized in accordance with ASC 985-605.

The Company records all revenues on gross basis in accordance with ASC 605-45 since it is the primary obligor and establishes the price in the revenue arrangement. The Company is currently under no obligation for refunding any fees or has any obligations for disputed claim settlements.

Stock-Based Compensation - Stock based compensation is accounted for using the Equity-Based Payments to Non-Employee Topic of the FASB ASC, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. We determine the value of stock issued at the date of grant. We also determine at the date of grant the value of stock at fair market value or the value of services rendered (based on contract or otherwise) whichever is more readily determinable.

Shares issued to employees are expensed upon issuance.

Stock based compensation for employees is account for using the Stock Based Compensation Topic of the FASB ASC. We use the fair value method for equity instruments granted to employees and will use the Black Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

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Advertising costs - Advertising costs incurred in the normal course of operations are expensed as incurred.

Research and development costs - Research and development costs are charged to expense as incurred.

New accounting pronouncements - In December 2011, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income*. In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income: Presentation of Comprehensive Income*, which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. ASU 2011-05 does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. ASU 2011-12 only defers those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments. Both ASUs are effective for interim and annual periods beginning after December 15, 2011. Our adoption of this ASU did not have a material impact on our consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, *Testing Goodwill for Impairment*, which provides entities testing goodwill for impairment to now have an option of performing a qualitative assessment before having to calculate the fair value of a reporting unit. If an entity determines, on the basis of qualitative factors, that the fair value of the reporting unit is more-likely-than-not less than the carrying amount, the existing quantitative impairment test is required. Otherwise, no further impairment testing is required. This ASU is effective for fiscal years beginning after December 15, 2011. Our adoption of this ASU did not have a material impact on our consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which converges common fair value measurement and disclosure requirements in accordance with GAAP and International Financial Reporting Standards, or IFRS. This ASU is effective for interim and annual periods beginning after December 15, 2011. Our adoption of this ASU did not have a material impact on our consolidated financial statements.

## 2. FIXED ASSETS

Fixed assets consist of the following:

	As of December 31, 2012	As of December 31, 2011
Equipment	\$ 188,019	\$ 477,796
Software	297,978	257,092
Furniture and fixtures	61,821	60,921
Leasehold equipment	17,721	14,780
	565,539	810,589
Less: accumulated depreciation	456,601	721,869
Fixed assets, net	\$ 108,938	\$ 88,720

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3. INTANGIBLE ASSETS

Intangible assets consist of the following:

	As of December 31, 2012	As of December 31, 2011
Patents and trademarks	\$ 33,465	\$ 33,465
Platform Development in Process	318,329	160,379
	351,794	193,844
Less: accumulated depreciation	25,169	22,069
Intangible assets, net	\$ 326,625	\$ 171,775

Intangible assets are amortized over their useful lives ranging from periods of 5 to 15 years.

4. NOTES PAYABLE – RELATED PARTIES

	As of December 31, 2012	As of December 31, 2011
Note payable due to a shareholder of the company, bearing interest at 8.5%, renewable annually upon prepayment of one year's interest, due on demand and unsecured.	501,000	501,000
Note payable due to a director of the company and shareholder, bearing no interest, due on demand and unsecured.	21,000	21,000
Note payable due to a director of the company and shareholder, bearing no interest, due on demand and unsecured.	16,000	16,000
	\$ 538,000	\$ 538,000

5. CONVERTIBLE NOTE PAYABLE

Convertible note payable as of December 31, 2011 consists of a \$10,000 convertible promissory note to one individual. As of December 31, 2012, this convertible note has been written-off and recorded as a gain on debt extinguishment.

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6. NOTES PAYABLE

Notes payable consist of the following:

	As of December 31, 2012	As of December 31, 2011
Note payable due to a shareholder of the company, bearing no interest, due on demand and unsecured.	\$—	\$1,031,500 (a)
Note payable due to a shareholder of the company, bearing no interest, due on demand and unsecured.	—	510,000 (a)
Note payable due to a shareholder of the company, bearing interest at 8%, due on demand and unsecured.	150,000	150,000
Note payable due to a shareholder of the company, bearing no interest, due on demand and unsecured.	—	128,000 (a)
Note payable due to a shareholder of the company, bearing interest at 8%, due February 2011 and unsecured.	—	50,000 (c)
Note payable due to a shareholder of the company, bearing interest at 8%, due February 2012 and unsecured.	—	25,000 (a)
Note payable due to a shareholder of the company.	19,400	19,400
Note payable due to a shareholder of the company, bearing no interest, due on demand and unsecured.	—	10,000 (a)
Note payable.	—	10,000 (b)
Note payable.	—	5,000 (b)
Note payable.	—	5,000 (b)
	169,400	1,943,900
Less: non-current portion	—	—
	\$ 169,400	\$ 1,943,900

(a) During the year ended December 31, 2012, \$1,704,500 of notes payable were paid with issuances of stock and warrants see notes under common stock.

(b) During the year ended December 31, 2012 these notes payables representing debentures were revoked on 09/28/2012.

(c) During the year ended December 31, 2012 the note payable to an individual who is deceased was recorded as forgiveness of debt.

7. COMMON STOCK

At December 31, 2012, the Company's authorized capital stock was 150,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share. On that date, the Company had outstanding 38,911,606 shares of common stock, and no shares of preferred stock.

*2012 Transactions:* During the year ended December 31, 2012, the Company issued shares of common stock in the following transactions:

3,335,500 shares of common stock and warrants for 3,335,500 shares of common stock for extinguishment of debts totaling \$1,667,750 (see Note 6 for further discussions). The shares were valued at the market price of our common stock on the date of issuance and warrants valued using the Black-Scholes options pricing model (see Note 8) whereby both shares and warrants collectively were valued at \$531,695.

-200,000 shares of common stock for an employee signing bonus valued at .09 per share.



75,000 shares of common stock for consulting services and a warrant for 75,000 shares of common stock with a total value of \$15,000 for services to be rendered over a three year period.

~~715~~ shares of common stock for a share exchange of Wow Technologies, Inc., valued at \$.30 share.

50,000 shares of common stock for extinguishment of debts totaling \$27,000. The shares were valued at \$0.27 per share.

*2011 Transactions:* During the year ended December 31, 2011, the Company issued shares of common stock in the following transactions:

5,322 shares of common stock to various shareholders of Wow Technologies, Inc. valued at \$0.07 to \$0.22 per share.

All shares issued (or cancelled) for services or in exchange for Wow Technologies, Inc. common stock are valued on the market price on the date issuance.

#### Warrants:

The Company issued the following warrants at the corresponding weighted average exercise price. As of December 31, 2012, there are no warrants outstanding.

Date of Issuance	Number of Warrants	Exercise Price	Contractual Life	Number of Shares Exercisable
May 31, 2012	1,834,525	0.50	3 years	1,834,525
May 31, 2012	1,500,975	0.50	3 years	1,500,975
July 30, 2012	75,000	0.50	3 years	75,000
October 30, 2012	50,000	0.50	3 years	50,000
	3,460,500			3,460,500

#### Stock Grants:

In August 2012, the Company granted a total of 5,000,000 shares of common stock to various officers and directors of the Company with a total value of \$680,000 or \$0.14 per share (including a 15% discount of fair market value due to these shares being restricted and lacking market liquidity). The 5,000,000 shares granted have a vesting period of 5

years of which four months have vested with an approximate value of \$52,000 for the year ended December 31, 2012 and which a payable has been recorded for the same vested amount as of December 31, 2012. As of December 31, 2012, none of the 5,000,000 shares granted have been issued.

8. GAIN ON DEBT EXTINGUISHMENT

On May 18, 2012, the Company negotiated the conversion of two debt holders' promissory notes totaling \$1,667,750 in exchange for 3,335,500 shares of the Company's common stock and warrants for 3,335,500 shares of common stock with an exercise price of \$0.50 expiring May 31, 2015. As a result of the conversion of the two debt holders' notes, the Company recognized a gain on debt extinguishment of \$1,136,055 during the year ended December 31, 2012 based on the fair value of both the common stock and warrants issued. The common shares were valued at \$300,195 and warrants valued at approximately \$231,500 using the Black-Scholes options pricing model under the following assumptions: stock price at issuance of \$0.09 per share; 3 year life; discount rate of 2.50%; and volatility rate of 228%.

In October 30, 2012 the Company negotiated the conversion of a debt holder's promissory note totaling \$25,000 plus accrued interest of \$11,778, in exchange for 50,000 shares of the Company's common stock and warrants for 50,000 shares of common stock with an exercise price of \$0.50 expiring October 30, 2015. As a result of the conversion of the debt holder's notes, the Company recognized a gain on debt extinguishment of \$9,778 during the twelve months ended December 31, 2012 based on the fair value of both the common stock and warrants issued. The common shares were valued at \$13,500 and warrants valued at approximately \$13,500 using the Black-Scholes options pricing model under the following assumptions: stock price at issuance of \$0.27 per share; 3 year life; discount rate of 2.50 %; and volatility rate of 555%.

During 2012, the Company wrote-off various notes and the related accrued interest approximating \$150,000 and recognized a gain on debt extinguishment in the same amount.

9. COMMITMENTS AND CONTINGENCIES

On September 14, 2007, the Company entered into a stock purchase agreement, under which it agreed to acquire Wow Technologies, Inc. ("Wow") for up to 4,220,020 shares of common stock. The Company agreed to issue one share of its common stock for each 14 shares of Wow common stock presented for exchange. In addition, the Company agreed to allow \$280,000 of convertible notes issued by Wow to convert into shares of the Company's common stock, such that Wow convertible note holders would be entitled to receive the same number of shares of Company common stock that they would have received had they converted their Wow notes into Wow common stock immediately prior to the share exchange agreement. The maximum number of shares issuable for Wow common stock and in conversion of Wow convertible notes was 4,220,020.

The Company agreed to conduct an initial closing when certificates representing at least 50.1% of ownership of Wow were presented for exchange. The Company held the initial closing in December 2007, and has continued to issue shares of its common stock in exchange for Wow common stock as certificates are presented since that date. The Company issued 2,479,826 shares, 329,711 shares, 524,688 shares, 11,430 shares, 5,322 and 715 in exchange for Wow common stock in 2007, 2008, 2009, 2010, 2011 and 2012 respectively. The Company is contingently not obligated to issue further shares for exchange after December 31, 2012.

Office lease – The Company has an operating lease for an office space that expires May 31, 2013. The monthly lease payment totals \$4,396 per month. Lease payments plus common area maintenance fees for the year ended December 31, 2011 and 2012 totaled \$39,803 and \$44,520 respectively. Minimum office lease obligations for 2013 total \$21,980.

Pending of threatened litigation – We may become involved in litigation from time to time in the ordinary course of business. However at December 31, 2012, to the best of our knowledge, no such litigation exists or is threatened.