3PEA INTERNATIONAL, INC.
Form 10-K
March 30, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

o 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.)

1700 W. Horizon Ridge Parkway, Suite 200, 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 o No x

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

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 x No o

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 x No o

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. o

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 o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

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. $16,910,510 based upon a market price of $0.69 per share.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 42,773,265 as of March 16, 2016.

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.

TABLE OF CONTENTS

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. 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. We 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

3PEA International, Inc. is a vertically integrated provider of innovative prepaid card programs and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, reduce administration costs and streamline operations. Public sector organizations can utilize the solutions to disburse public benefits or for internal payments. We market our prepaid debit card solutions under our PaySign® brand. As we are a payment processor and debit card program manager, we derive our revenue from all stages of the debit card lifecycle. 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 our proprietary PaySign platform. We design and process prepaid programs that run on the platform through which our customers can define the services they wish to offer cardholders. Through the PaySign platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service.

The PaySign platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform has allowed 3PEA to significantly expand its operational capabilities by facilitating our entry into new markets within the payments space through its flexibility and ease of customization. The PaySign platform delivers cost benefits and revenue building opportunities to our partners.

We have developed prepaid card programs for corporate and incentive rewards including, but not limited to healthcare reimbursement payments, pharmaceutical co-pay assistance, donor payments for source plasma and automobile dealership incentives. We are expanding our product offering to include additional corporate incentive products, 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.

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. We deploy a fully staffed, in-house customer service department which utilizes bi-lingual customer service agents, Interactive Voice Response (“IVR”), and two way short message service (“SMS”) messaging.

In 2013, we began business development activities related to opportunities in the European Union, including the opening of a satellite office within the EU. We have identified large scale opportunities within the prepaid debit card market and are aggressively pursuing these opportunities.

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 manufacturers, universities and social media 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?

Prepaid cards are issued by a financial institution that are preloaded with funds and is used like a normal debit card. Prepaid debit cards are generally network branded (Amex, Discover, MasterCard, Visa) and can be used anywhere the card brand is accepted. Network branded prepaid cards provide consumers, businesses and governments with the efficiency, security and flexibility of digital payments through a non-credit payment option and 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 that have been pre-loaded onto the card by either the cardholder, another person (as a gift), the government for benefits, employers/corporations for payroll, or by a corporation for rewards/incentives or health benefits. As a non-credit payment tool, they help users control their budget.

According to the 2013 Federal Reserve Payments Study, growth in prepaid card payments increased at the fastest rate from 2009 to 2012 when compared to credit, debit, ACH and checks. In this period, prepaid debit transactions grew at a rate of 15.8% annually, reaching 9.2 billion transactions in 2012. Transactions on prepaid cards have a compounded annual growth rate (CAGR) of 30.7% in the years 2003-2012, and a CAGR of 15.8% during the 2009 to 2012 time frame.

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 welfare payments, 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 (“GPR”): 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.

Corporate Incentive Cards: Payment made to a consumer or potential consumer as an incentive to, or reward for purchasing a product or completing a task, such as completing a survey or test driving a vehicle. Payments can also be made by a company to an employee or agent 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.

Our Products and Services

We are a vertically integrated payment processor and debit card program manager offering innovative payment solutions to corporations, government agencies, universities and other organizations. Our payment solutions are utilized by our customers as a means to increase customer loyalty, reduce administration costs and streamline operations. We market our prepaid debit card solutions under our PaySign® brand. As we are a payment processor and debit card program manager, we derive our revenue from all stages of the debit card lifecycle. These revenues can include fees from program set-up; customization and development; data processing and report generation; card production and fulfillment; transaction fees derived from card usage; inactivity fees; card replacement fees and program administration fees. We provide an in-house customer service center which includes live bi-lingual phone operators staffed 24/7 for incoming calls. We also run in-house Interactive Voice Response and two way SMS messaging platforms. Our cards are offered to end users through our relationships with bank issuers.

In the first several years of our existence we focused mainly on providing co-pay assistance prepaid cards to the pharmaceutical industry. In 2011, we developed a prepaid card based payment solution for the source plasma collection industry. In recent months, having built the necessary infrastructure and adding essential staff, we have increased our focus and sales efforts on corporate incentive prepaid solutions. This market segment is expected to grow to $19.5 billion by 2016, according to First Annapolis Consulting. In the fourth quarter of 2015, we added 8 corporate incentive reward programs to our platform. As of December 31, 2015 we managed 91 such programs, up from 78 as of year-end 2014. These programs tend to have high gross margins and predictable usage patterns.

The PaySign Brand

In order to leverage the capabilities of the PaySign platform and successfully expand our product offerings to additional, non-healthcare related verticals, we established the PaySign brand of prepaid cards and prepaid solutions. The PaySign brand will encompass the entirety of our prepaid product offerings, including but not limited to: corporate incentives (including healthcare and non-healthcare markets), payroll, settlement payments, and solutions designed for the public sector. PaySign is a registered trademark of ours in the United States and other countries.

Incentive Rewards

Our PaySign corporate incentive cards offer businesses a practical and contemporary way to reward and motivate existing and potential customers, employees, donors and participants of clinical trials, sales professionals, agents and distributors. The PaySign Card is accepted anywhere Visa is accepted. Key benefits of our corporate incentive cards are:

- Cost savings

  Operating and administrative costs associated with processing traditional paper checks are reduced.

- Co-Branding

  Our clients can promote their brands as the card can include the corporate sponsor’s logo. The card itself acts as a wallet sized billboard.

- Customization

  Our PaySign platform allows for easy customization of our corporate incentive card programs. For example, our clients can select merchants or merchant categories which dictate where the card will be accepted. Our clients can receive customized reports, track card usage and attach surveys to the activation process to gain market intelligence.

- Speed

  Our clients can get rewards and incentives to the intended recipients in a much quicker manner than traditional methods using our corporate incentive programs.

We develop incentive card programs that our customers use for a wide variety of applications, including but not limited to: consumer rebates for large purchases or frequent buyers; trade incentives for third party distributors, new product launches and commission based sales incentives; consumer promotions such as automobile test drives, purchase incentives, remuneration for time and effort of donating, referral programs, event giveaways and purchase incentives.

Source Plasma Donor Payments

Plasma derived therapies are lifesaving treatments used to treat various rare conditions. In order for plasma based therapies to be produced, human plasma must be used in its manufacture. Human Plasma is the yellow liquid portion of whole blood that can be easily replaced by the body. Plasma makes up approximately 57 percent of whole blood and consists primarily of water and proteins. Source plasma is the plasma collected from volunteer donors that serves as the raw material for the further manufacture into these lifesaving therapies. Historically, source plasma donation centers remunerated their donors with cash or checks. In the past several years, plasma donation centers have migrated to a prepaid card based solution for donor payments.

3PEA offers a comprehensive customized payment solution for source plasma collection centers under the PaySign brand. The solution consists of the PaySign Prepaid Debit Card, the PaySign Connect Portal for administrators, and the PaySign Kiosk. The solution offers customized reporting and provides a level of business analytics previously unavailable. The solution can be utilized either as a stand-alone web based solution or integrated with existing donor management systems, giving plasma donation centers an increased level of flexibility.

Pharmaceutical 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 is intended to replace the distribution of physical samples. Our PaySign Co-Pay Assistance Card is an adjudicated promotional debit card that reimburses or contributes to the prescription drug purchase 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.

PaySign Co-Pay Assistance

The PaySign Co-Pay Assistance 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 PaySign Co-Pay Assistance Card can be offered as either a straight payment voucher card or a debit card or a combination of the two. 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 PaySign Co-Pay Assistance 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.

Buy and Bill

Where PaySign’s standard co-pay assistance card provides payment for self-administered pharmaceuticals purchased at a pharmacy, PaySign’s Buy and Bill programs are designed to provide a benefit for patients when purchasing directly from their physician’s office or through an infusion center for physician administered therapies.

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.

Customer Service Center

In order to provide a full range of services to our customers, we offer a fully staffed, in-house Customer Service Center which is operational 24 hours a day, 7 days per week consisting of live bi-lingual phone operators for incoming calls. The PaySign Platform provides an Interactive Voice Response, SMS alerts and two way SMS messaging, allowing cardholders to set alerts and check their balances and history without the assistance of a live customer service operator. We believe our in-house customer service center provides the highest quality customer service experience for our clients as training is performed on-site by 3PEA staff, and the center performs customer service solely for our products and card programs.

Other Markets

We have identified a variety of other markets that our debit cards can be used, such as; corporate incentive or reimbursement programs, gift cards, payroll payments, government benefit payments, parental control, travel and per diem, and as a reloadable debit card for use by consumers without a traditional bank account.

Technology

Our technology platform employs a standard enterprise services bus in a service-oriented architecture, configured for 24/7 operations. We maintain two secure, interconnected, environmentally-controlled data centers, with emergency power generation capabilities, and redundant functionalities. 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 stored valued cards ("SVC") 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.

Sales and Marketing

We primarily market our products and services through direct marketing by the Company's sales executives. We also utilize independent contractors who make direct sales for us and other companies and are paid on a commission basis only.

Markets and Major Customers

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

Regulations

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.

6

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 be 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.

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 Independent Contractors

As of March 17, 2016, we had thirty-two employees and independent contractors.

We have no collective bargaining agreements with our employees, and believe all independent contractor 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 2015, we experienced growth in our corporate incentives solution business. However, this revenue growth was offset by a reduction in revenue derived from our pharmaceutical card programs. This resulted in a decrease in our year over year revenue. 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 clients, and to retain our current clientele. 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 and 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.

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 issue 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 network connectivity and gateway services are outsourced to third-party vendors. All of our vendors could be replaced with competitors if our vendor 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. Interchange rates for certain products and certain issuing banks declined significantly as a result of the enactment of the Dodd-Frank Bill. If interchange rates decline further, 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 limitations on our ability to use the intellectual property subject to these claims. As of December 31, 2015, we had not received any notice or claim of infringement from any party.

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

We may raise capital in order to repay indebtedness and provide working capital for our expansion into other products and services using our payments 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 loading 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 15g-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 52.5% 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 42,773,265 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 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.

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 approximately 10,000 square feet of office space at 1700 W Horizon Ridge Parkway, Henderson, Nevada 89012, under a lease of approximately $14,000 per month.

We lease space for our data centers in Las Vegas, Nevada under co-location agreements that have typical terms of 36 months. The agreements provide for lease payments of approximately $4,600 per month.

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. MINE SAFETY DISCLOSURES.

Not applicable.

19

PART II

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

During 2015 and 2014, 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 2015 and 2014.

	2015		2014	
	High	Low	High	Low
First Quarter	0.69	0.23	0.19	0.14
Second Quarter	0.95	0.36	0.22	0.11
Third Quarter	0.47	0.33	0.25	0.13
Fourth Quarter	0.37	0.20	0.44	0.19

There were 378 shareholders of record of the common stock as of December 31, 2015. 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, 2015 or 2014. 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 ending December 31, 2015, we issued 12,500 shares of common stock to an individual for services as a board advisor. The shares were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933.

Issuer Purchases of Equity Securities

During the quarter ending December 31, 2015, 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 contains 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

3PEA International, Inc. is a vertically integrated provider of innovative prepaid card programs and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, reduce administration costs and streamline operations. Public sector organizations can utilize the solutions to disburse public benefits or for internal payments. We market our prepaid debit card solutions under our PaySign brand. As we are a payment processor and debit card program manager, we derive our revenue from all stages of the debit card lifecycle. 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 our proprietary PaySign platform. We design and process prepaid programs that run on the platform through which our customers can define the services they wish to offer cardholders. Through the PaySign platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service.

The PaySign platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform has allowed 3PEA to significantly expand its operational capabilities by facilitating our entry into new markets within the payments space through its flexibility and ease of customization. The PaySign platform delivers cost benefits and revenue building opportunities to our partners.

We have developed prepaid card programs for corporate and incentive rewards including, but not limited to healthcare reimbursement payments, pharmaceutical co-pay assistance, donor payments for source plasma and automobile dealership incentives. We are expanding our product offering to include additional corporate incentive products, 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.

We are a vertically integrated payment processor and debit card program manager offering innovative payment solutions to corporations, government agencies, universities and other organizations. Our payment solutions are utilized by our customers as a means to increase customer loyalty, reduce administration costs and streamline operations. We market our prepaid debit card solutions under our PaySign brand. As we are a payment processor and debit card program manager, we derive our revenue from all stages of the debit card lifecycle. These revenues can include fees from program set-up; customization and development; data processing and report generation; card production and fulfillment; transaction fees derived from card usage; inactivity fees; card replacement fees and program administration fees. We provide an in-house customer service center which includes live bi-lingual phone operators staffed 24/7, for incoming calls. We also provide in house Interactive Voice Response and two way SMS messaging platforms.

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 the network brand (Visa, MasterCard, Discover, etc.) 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, plasma donor remuneration, corporate and incentive rewards and expense reimbursement cards. We plan to expand our product offering to include payroll cards, general purpose re-loadable cards and travel 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, we are focusing our marketing efforts on the healthcare reimbursement market, pharmaceutical marketing or drug sampling market, source plasma donation payments and the corporate incentive card market targeting automotive and other market niches.

As part of our platform expansion development process, we evaluate current and emerging technologies 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.

The company has begun to devote more extensive resources to sales and marketing activities as we have added essential personnel to our marketing and sales department in late 2013. 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. We have also identified large scale opportunities in the European Union and are aggressively pursuing those 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 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.

Results of Operations

In 2015 we increased our focus on sales while continuing to invest in our core infrastructure, platform development and the addition of essential personnel in order to allow us to successfully scale our business. Despite a reduction in revenue from our pharmaceutical co-pay assistance programs, we increased our footprint in the plasma donation compensation space from 78 plasma donation centers utilizing the PaySign solution on December 31, 2014 to 91 on December 31, 2015.

Fiscal Years Ended December 31, 2015 and 2014

Revenues for the year ended December 31, 2015 were $8,107,541, a decrease of $2,185,639 compared to the year ended December 31, 2014, when revenues were $10,293,180. The decrease in revenue was primarily due to a decrease in our healthcare reimbursement payments and pharmaceutical co-pay assistance programs. The Company experienced an increase in revenue from its plasma donation compensation programs in 2015 and expects revenue from plasma donation programs to increase in 2016. We believe the company will resume revenue growth in 2016 and beyond as a result of growth in our corporate incentive programs.

Cost of revenues for the year ended December 31, 2015 were $4,019,514, a decrease of $635,201 compared to the year ended December 31, 2014, when cost of revenues were $4,654,715. Our costs of revenues have decreased substantially as a result of lower revenues in our pharmaceutical programs which was offset by increases in revenues from our plasma donation compensation programs. Cost of revenues constituted approximately 50% and 45% of total revenues in 2015 and 2014, respectively. Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, bank fees, card production costs, customer service and program management expenses, application integration setup, and sales and commission expense.

Gross profit for the year ended December 31, 2015 was $4,088,027, a decrease of $1,550,438 compared to the year ended December 31, 2014, when gross profit was $5,638,465. Our overall gross profit percentage approximated 50% and 55% during the fiscal years 2015 and 2014 which is consistent with our overall expectations. We believe our profit margins will improve in the future as we continue to pursue new corporate incentive reward programs utilizing our PaySign platform and marketing our products and services utilizing our internal sales and marketing team.

Selling, general and administrative expenses for the year ended December 31, 2015 were $3,734,187, an increase of $1,018,871 compared to the year ended December 31, 2014, when selling, general and administrative expenses were $2,715,316. The increase in selling, general and administrative expenses was due to increased staffing and technological expenses relating to launch of several new and ongoing programs and our planned expansion into the

European Union. We continued to ramp up our investment in infrastructure and processes during 2015 to be able to scale our business successfully. In fiscal 2015, we began to devote more resources to our internal sales and marketing team and expect to continue to do so in 2016.

In the fiscal year ended December 31, 2015, we recorded operating income (loss) of $(8,872), as compared to operating income of $2,751,555 in the fiscal year ended December 31, 2014, a decline of $2,760,427.

Other income (expense) for the year ended December 31, 2015 was $(2,540,705), as compared to other income (expense) of $(141,515) in year ended December 31, 2014, which represents a decrease in net other income (expense) of $2,399,190. The substantial decrease in net other income (expense) in 2015 as compared to 2014 was primarily due to a legal settlement totaling $2,500,000 which we recorded as an expense in 2015 which is further discussed in detail in Note 8 of our Consolidated Financial Statements, which was offset by lower interest expense as we substantially reduced our indebtedness in fiscal 2015 as compared to fiscal 2014.

Our net income (loss) for the year ended December 31, 2015 was $(2,410,337), as compared to net income of $2,610,484 in the year ended December 31, 2014, which represents a decrease in net income (loss) of $5,020,821. 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, 2015 and 2014:

	Year ended December 31,	
	2015	2014
Net cash provided by (used in) operating activities	$(719,504)	$3,082,535
Net cash (used in) investing activities	(926,182)	(527,912)
Net cash (used in) financing activities	(851,788)	305,106
Net increase (decrease) in unrestricted cash and cash equivalents	$(2,497,474)	$2,859,729

Comparison of Fiscal 2015 and 2014

In fiscal 2015 and 2014, we financed our operations primarily through internally generated funds.

Operating activities provided (used) $(719,504) of cash in 2015, as compared to $3,082,535 of cash in fiscal 2014. Major non-cash items that affected our cash flow from operations in 2015 were non-cash stock based expenses of $202,550 and depreciation and amortization of $362,712. Our operating assets and liabilities provided $1,276,148 of cash, which resulted primarily from an increase in a legal settlement payable of $1,254,658.

Investing activities used $(926,182) of cash in 2015, as compared to $(527,912) of cash in 2014, all of which related in both years to platform expansion and the purchase of equipment used in our business.

Financing activities provided (used in) $(851,788) of cash in 2015 as compared to $305,106 of cash in 2014. Our cash used in financing activities in 2015 related to repayment of borrowings during 2015.

Liquidity and Sources of Financing

In both 2015 and 2014, our operations were focused on developing and launching our PaySign® platform, infrastructure and processes to be able to scale our business successfully which was financed from operations.

We believe that our available cash on hand at December 31, 2015 of $1,389,494 and revenues and operating profits anticipated for 2016 will be sufficient to sustain our operations for the next twelve months.

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, 2015, 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.

24

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 Brian Polan, 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, 2015. 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, 2015 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, 2015 we conducted an evaluation, under the supervision and with the participation of our chief executive officer (our principal 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, 2015.

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 because it is neither an accelerated filer or a large accelerated filer.

ITEM 9A(T). controls and procedures.

None.

ITEM 9B. OTHER INFORMATION.

None.

26

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS and CORPORATE GOVERNANCE.

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

Name	Age	Present Positions with Company
Mark R. Newcomer	50	President & CEO, Chairman, Director
Brian Polan	56	CFO
Daniel H. Spence	52	CIO, Director
Anthony E. DePrima, Esq.	76	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.

Daniel H. Spence, Chief Information Officer, Director. Mr. Spence serves as our Chief Information Officer and has served as a director since March 2006. Mr. Spence is responsible for the design and architecture of the PaySign® payments platform. 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. In 2007-2008, he was Project Manager for the implementation of Medicare Easyclaim for ANZ Bank in Australia. Easyclaim allows patients and medical practitioners to lodge Medicare claims using the existing EFTPOS infrastructure. In 2010-2011 he was Business Analyst on the EFT and Banking Stream that was responsible for the upgrade of POS Terminals to EMV capability for Australia Post. Previously for 3PEA, he designed and developed EFTPOS terminals and secure key injection systems, and the software tools (API/SDK) for the EFTPOS terminal integration by third party developers. He has certified several financial interchanges in the ISO8583 and AS2805 standards to various EFT networks in the United States and Australia. He has over 25 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 DePrima Law, PC. 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. From 1983 to 1998 he held various management positions in American Architectural Products Corporation, a NASDAQ traded company, including Chief Executive Officer, President, Secretary, Executive Vice President, Executive Vice President, Chief Financial Officer, Vice President General Counsel, and Chairman of Board of Directors. 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.

Executive Officers Who Are Not Directors

Brian Polan, Chief Financial Officer. Mr. Polan has served as our Chief Financial Officer since October 2015. Mr. Polan previously served as our VP of Corporate Finance since October 2013 and VP of Investor Relations from June 2012 to September 2013. Mr. Polan's experience in the private sector includes serving as financial advisor with DLG Wealth Management LLC from January 2010 to June 2012, and various retail brokerages from 1983 to December 2012. Mr. Polan received his BS Degree in Business Administration from the State University of New York at Buffalo.

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 three directors. During 2015, our board of directors had three 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 was filed as Exhibit 14 to our Registration Statement on Form 10 filed on September 16, 2010.

Section 16(a) Beneficial Ownership Reporting Compliance

During the fiscal year ended 2015, the officers and directors were current on their filing obligations.

ITEM 11. EXECUTIVE COMPENSATION.

Summary compensation table

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).

Name and Principal Position	Year	Salary $	Stock Grant $ (1)	Total $
Mark Newcomer, President & CEO	2015	$218,000	$–	$218,000
	2014	$218,000	$98,000	$316,000
	2013	$156,000	$28,000	$184,000
Brian Polan, CFO	2015	$17,000	$–	$17,000
Arthur de Joya (former CFO)	2015	$58,500	$–	$58,500
	2014	$23,000	$98,000	$121,000
Daniel Spence CIO	2015	$163,500	$–	$163,500
	2014	$124,500	$98,000	$222,500
	2013	$100,500	$28,000	$128,500
Chris Newcomer (former CTO)	2014	$108,000	$98,000	$206,000
	2013	$97,000	$28,000	$125,000

(1) In August 2012, the Company granted Mark Newcomer, Arthur de Joya, Daniel Spence and Chris Newcomer a total of 1,000,000, 1,000,000, 1,000,000 and 1,000,000 shares of common stock, respectively, which had a total value of $119,000, $119,000, $119,000 and $119,000, respectively, based upon a value of $0.14 per share. The value per share was based on the market value on the date of grant, less a 15% discount due to the shares being restricted and lacking market liquidity. The stock grants vest in equal amounts over a period of five years as of the end of each calendar quarter to the extent the officers were still employed by us at the time. During 2014, the Company accelerated the vesting for the remaining unvested portion whereby each stock grant became fully vested as of December 31, 2014. The amount included as compensation for 2013 and 2014 is only the amount that had vested during the years ending December 31, 2013, and December 31, 2014, respectively.

We did not grant any stock options or stock appreciation rights to our named executive officers in the last fiscal year. We did not reprice any options or stock appreciation rights during the last fiscal year.

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 ($)	All Other Compensation ($)(1)(2)	Total ($)
David Weiler (3)	–	–	–	–	–	$ 13,720	$13,720
Anthony DePrima	–	–	–	–	–	$ 22,500	$22,500

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

(1) Mr. Weiler received a total of $13,720 in consideration for consulting services rendered to the Company.

(2) Mr. DePrima received a total of $22,500 in consideration for consulting and legal services rendered to the Company.

(3) Mr. Weiler is a former director having voluntarily resigned in December 2015.

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

The following table sets forth certain information, as of March 16, 2016, 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) (3)	8,010,000	18.73%
Daniel H. Spence (2) (4)	7,510,000	17.56%
David R. Weiler (5)	4,189,950	9.80%
Anthony E. DePrima (2) (6)	2,745,163	6.42%
Brian Polan	–	–
All Officers and Directors as a Group	18,265,163	42.70%

(1) Based upon 42,773,265 shares of Common Stock issued and outstanding as of March 16, 2016.

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

(3) Mark Newcomer's ownership consists of 8,010,000 shares owned outright.

(4) Mr. Spence's ownership consists of 7,510,000 shares owned outright.

(5) Mr. Weiler ownership consists of 4,189,950 shares owned outright. The address for Mr. Weiler is 126 Belle Glen Drive, Nashville, TN 37221.

(6) Mr. DePrima's ownership consists of 2,745,163 shares owned outright.

Equity Compensation Plan Information

At December 31, 2015, we did not have any equity compensation plan.

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

We were previously indebted to Cynthia Korte in the amount of $501,000 as of 2013 pursuant to a note that bore interest at 8.5% per annum, and which was unsecured and due on demand. Ms. Korte was a related party by virtue of her ownership of 2,442,000 shares of common stock, which constituted 6.0% of our outstanding shares. We repayed this note in full in November 2014, and in connection with the repayment Ms. Korte ageed to return the shares for cancellation.

As of December 31, 2014, we were indebted to ADX Venture Group, LLC, an entity 100% owned by our former Chief Financial Officer, in the amount of $454,000 pursuant to a note with no stated interest, secured by our assets and due on January 15, 2015. The note was paid in full by the due date of January 15, 2015.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

In the last two fiscal years ended December 31, 2015 and 2014, 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, 2015 and 2014 for professional services rendered by the principal accountant for the audit of our annual financial statements for 2015 and 2014 was $15,000 and $15,000, respectively.

Audit-Related Fees: The aggregate fees billed for the fiscal years ended December 31, 2015 and 2014 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, 2015 and 2014 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, 2015 and 2014 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, 2015 and 2014, and for the years ended December 31, 2015 and 2014, including a balance sheet, statement of operations, statement of cash flows, and statement of changes in stockholders' equity.

(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	Form of Convertible Promissory Note (1)
10.4	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)
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

101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

* 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.
(4) Registrant has omitted portions of the referenced exhibit and filed such exhibit separately with the Securities and 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: March 30, 2016 */s/ Mark Newcomer*
Mark Newcomer, Chief Executive Officer

Dated: March 30, 2016 */s/ Brian Polan*
By: Brian Polan, 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: March 30, 2016 */s/ Mark Newcomer*
Mark Newcomer, Chairman and Chief Executive Officer

Dated: March 30, 2016 */s/ Daniel Spence*
Daniel Spence, Chief Information Officer, Director

Dated: March 30, 2016 */s/ Anthony DePrima*
Anthony DePrima, Secretary, Director

EXHIBIT A

3PEA INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

WITH AUDIT REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

TABLE OF CONTENTS

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, 2015 and December 31, 2014, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of 3PEA International, Inc.'s management. 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 audit provides 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, 2015 and December 31, 2014, 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 28, 2016

3PEA INTERNATIONAL, INC.

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(AUDITED)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash	$1,389,494	$3,886,968
Cash Restricted	7,063,945	7,792,255
Accounts Receivable	16,742	86,658
Prepaid Expenses and other assets	254,225	214,502
Total current assets	8,724,406	11,980,383
Fixed assets, net	271,967	206,929
Intangible and other assets		
Deposits	3,551	4,451
Intangible assets, net	1,264,151	765,719
Total assets	$10,264,075	$12,957,482
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$465,318	$680,159
Customer card funding	7,063,945	7,792,255
Legal settlement payable – current portion	915,475	–
Stocks payable - related parties	125,987	680,000
Notes payable- related parties	–	700,440
Notes payable	174,098	325,446
Total current liabilities	8,744,823	10,178,300
Long-term liabilities		
Legal settlement payable-long-term portion	339,183	–
Total long-term liabilities	339,183	–
Total liabilities	9,084,006	10,178,300
Commitments and contingencies	–	–
Stockholders' equity		

Common stock; $0.001 par value; 150,000,000 shares authorized, 42,510,765 and 36,669,106 issued and outstanding at December 31, 2015 and December 31, 2014, respectively	42,511	36,669
Additional paid-in capital	6,579,508	5,634,886
Treasury stock at cost, 303,450 and 303,450 shares, respectively	(150,000)	(150,000)
Accumulated deficit	(5,200,412)	(2,790,075)
Total 3PEA International, Inc.'s stockholders' equity	1,271,607	2,731,480
Non-controlling interest	(91,538)	47,702
Total stockholders' equity	1,180,069	2,779,182
Total liabilities and stockholders' equity	$10,264,075	$12,957,482

See accompanying notes to financial statements.

3PEA INTERNATIONAL, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(AUDITED)

	For the year ended December 31, 2015	For the year ended December 31, 2014
Revenues	$8,107,541	$10,293,180
Cost of revenues	4,019,514	4,654,715
Gross profit	4,088,027	5,638,465
Operating expenses		
Depreciation and amortization	362,712	171,594
Selling, general and administrative	3,734,187	2,715,316
Total operating expenses	4,096,899	2,886,910
Income (loss) from operations	(8,872)	2,751,555
Other income (expense)		
Gain on debt extinguishment	11,337	–
Other expenses	(6,359)	–
Legal settlement	(2,500,000)	–
Interest expense	(45,683)	(141,515)
Total other income (expense)	(2,540,705)	(141,515)
Income (loss) before provision for income taxes and noncontrolling interest	(2,549,577)	2,610,040
Provision for income taxes	–	–
Net income (loss) before noncontrolling interest	(2,549,577)	2,610,040
Net loss attributable to the noncontrolling interest	139,240	444
Net income (loss) attributable to 3PEA International, Inc.	$(2,410,337)	$2,610,484
Net income (loss) per common share - basic	$(0.06)	$0.07
Net income (loss) per common share – fully diluted	$N/A	$0.06

Weighted average common shares outstanding - basic	39,641,175	38,808,085
Weighted average common shares outstanding - fully diluted	N/A	42,405,846

See accompanying notes to financial statements.

3PEA INTERNATIONAL, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(AUDITED)

	Stockholders' Deficit Attributable to 3PEA International, Inc.						
	Common Stock		Additional Paid-in	Treasury Stock	Accumulated	Non-controlling	Total Stockholders'
	Shares	Amount	Capital	Amount	Deficit	Interest	Equity
Balance, December 30, 2013	38,936,106	$38,936	$5,570,406	$(150,000)	$(5,400,559)	$48,146	$106,929
Issuance of stock for accrued stock payable	175,000	175	31,400	–	–	–	31,575
Issuance of stock warrants for 100,000 shares as a loan fee	–	–	30,638	–	–	–	30,638
2,442,000 shares acquired through debt settlement and retired	(2,442,000)	(2,442)	2,442	–	–	–	–
Net income (loss)	–	–	–	–	2,610,484	(444)	2,610,040
Balance, December 31, 2014	36,669,106	36,669	5,634,886	(150,000)	(2,790,075)	47,702	2,779,182
Issuance of stock for services	629,159	630	201,920	–	–	–	202,550
Issuance of stock and	200,000	200	65,014	–	–	–	65,214

warrant for accrued liabilities							
Issuance of stock for accrued liabilities	12,500	12	2,688	–	–	–	2,700
Issuance of stock for accrued stock payable	5,000,000	5,000	675,000	–	–	–	680,000
Net loss	–	–	–	–	(2,410,337)	(139,240)	(2,549,577)
Balance, December 31, 2015	42,510,765	$42,511	$6,579,508	$(150,000)	$(5,200,412)	$(91,538)	$1,180,069

See accompanying notes to financial statements.

3PEA INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(AUDITED)

	For the year ended December 31, 2015	For the year ended December 31, 2014
Cash flows from operating activities:		
Net income (loss)	$(2,410,337)	$2,610,484
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Change in noncontrolling interest	(139,240)	(444)
Stock based expenses	202,550	600,641
Depreciation and amortization	362,712	171,594
Gain on debt extinguishment	(11,337)	–
Changes in operating assets and liabilities:		
Change in restricted cash	728,310	(886,575)
Change in accounts receivable	69,916	291,055
Change in prepaid expenses	(44,723)	13,346
Change in other assets	900	445
Change in accounts payable, accrued liabilities and stocks payable	(130,590)	(604,586)
Change in customer card funding	(728,310)	886,575
Change in legal settlement payable	1,254,658	–
Change in stock payable	125,987	–
Net cash provided by (used in) operating activities	(719,504)	3,082,535
Cash flows from investing activities:		
Purchase of fixed assets	(138,332)	(140,853)
Purchase of intangible assets	(787,850)	(387,059)
Net cash used in investing activities	(926,182)	(527,912)
Cash flows from financing activities:		
Proceeds from borrowings from related parties	–	668,440
Proceeds from borrowing	–	149,450
Payments on notes payable-related parties	(700,440)	(501,000)
Payments on notes payable	(151,348)	(11,784)
Net cash provided by (used in) financing activities	(851,788)	305,106
Net change in cash	(2,497,474)	2,859,729
Cash, beginning of period	3,886,968	1,027,239

Cash, end of period	$1,389,494	$3,886,968

See accompanying notes to financial statements.

F-7

3PEA INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (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 eventually changing it to the name, 3Pea International, Inc. on October 19, 2006. The Company acquired 3Pea Technologies, Inc., a payment solutions company, in March 2006, which resulted in 3Pea Technologies, Inc. becoming a wholly owned subsidiary.

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.

About 3PEA International, Inc.

3PEA International, Inc. is a vertically integrated provider of innovative prepaid card programs and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, reduce administration costs and streamline operations. Public sector organizations can utilize the solutions to disburse public benefits or for internal payments. We market our prepaid debit card solutions under our PaySign® brand. As we are a payment processor and debit card program manager, we derive our revenue from all stages of the debit card lifecycle. 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 our proprietary PaySign platform. We design and process prepaid programs that run on the platform through which our customers can define the services they wish to offer cardholders. Through the PaySign 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 co-pay assistance, plasma donor remuneration and corporate incentive and rewards. We plan to expand our product offering to include 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 PaySign® platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform allows 3PEA to significantly expand its operational capabilities by facilitating our entry into new markets within the payments space through its flexibility and ease of customization. The PaySign platform delivers cost benefits and revenue building opportunities to our 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. We deploy a fully staffed, in-house customer service department which utilizes bi-lingual customer service agents, Interactive Voice Response (IVR), and two way short message service (SMS) messaging.

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

<u>Year end</u> – The Company's year-end is December 31.

<u>Use of estimates</u> – 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.

<u>Cash and cash equivalents</u> – 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.

Cash restricted and Customer card funding – At December 31, 2015 and 2014, cash restricted are funds held specifically for our card programs which we have recorded a corresponding customer card funding liability in the same amount.

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 – Goodwill is the purchase premium after adjusting for the fair value of net assets acquired. Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or when events or circumstances indicate a potential impairment, at the reporting unit level. A reporting unit, as defined under applicable accounting guidance, is a business segment or one level below a business segment. We may in any given period bypass the qualitative assessment and proceed directly to a two-step method to assess and measure impairment of the reporting units goodwill. We first assess qualitative factors to determine whether it is more likely-than-not (i.e., a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying value. This step serves as the basis for determining whether it is necessary to perform the two-step quantitative impairment test. The first step of the quantitative impairment test involves a comparison of the estimated fair value of each reporting unit to its carrying amount, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired; however, if the carrying amount of the reporting unit exceeds its estimated fair value, then the second step of the quantitative impairment test must be performed. The second step compares the implied fair value of the reporting unit’s goodwill with its carrying amount to measure the amount of impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

For intangible assets, we recognize an impairment loss if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives.

Fair value of financial instruments – Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

We determine the fair values of our financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following describes the three-level hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. We currently do not have any assets or liabilities in this category.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the overall fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments for which the determination of fair value requires significant management judgment or estimation. The fair value for such assets and liabilities is generally determined using pricing models, market comparables, discounted cash flow methodologies or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability. We currently do not have any assets or liabilities in this category.

Earnings per share– Basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Basic earnings 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 – Our income tax expense is comprised of current and deferred income tax expense. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from the changes in deferred tax assets and liabilities during the periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences between the basis of assets and liabilities as measured by tax laws and their basis as reported in our consolidated financial statements. We also recognize deferred tax assets for tax attributes such as net operating loss carryforwards and tax credit carryforwards. We record valuation allowances to reduce deferred tax assets to the amounts we conclude are more likely-than-not to be realized in the foreseeable future.

We recognize and measure income tax benefits based upon a two-step model: 1) a tax position must be more likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely-than-not to be sustained upon settlement. The difference between the benefit recognized for a position and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. We accrue income tax related interest and penalties, if applicable, within income tax expense.

We are in the process of filing certain consolidated tax returns whereby past subsidiary losses are used to offset tax liabilities on current profits. This approach could be challenged by the IRS and if not accepted, may affect net income and earnings per share. Management believes that the likelihood of the IRS not accepting such filings is minimal.

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, 2015 and 2014, 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 stored valued cards (“SVC”) 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 FASB ASC 985-605.

The Company records all revenues on gross basis in accordance with FASB 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 accounted 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.

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 January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities* (Topic 825) ("ASU 2016-01"). ASU 2016-01 revises the classification and measurement of investments in certain equity investments and the presentation of certain fair value changes for certain financial liabilities measured at fair value. ASU 2016-01 requires the change in fair value of many equity investments to be recognized in net income. The standard is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. The adoption of the ASU may result in a cumulative adjustment to retained earnings as of the beginning of the year of adoption. We are currently evaluating the impact of the provisions of ASU 2016-01, however, we do not expect the adoption of the ASU to have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxe*s ("ASU 2015-17"). ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent on the balance sheet. The ASU is effective for interim and annual periods beginning after December 15, 2016, but early adoption is permitted. We elected to early adopt this standard as of December 31, 2015 to simplify the presentation of our deferred income taxes and applied the guidance retrospectively to all periods presented. This change resulted in a reclassification of approximately $2.0 million in our net deferred tax assets and liabilities on our December 31, 2014 consolidated balance sheet. We do not deem the early adoption of the ASU to have a material impact on our consolidated financial statements for all periods presented.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combination (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"). ASU 2015-16 requires adjustments to provisional amounts that are identified during the measurement period to be recognized in the reporting period in which the adjustment amounts are determined. This includes any effect on earnings from changes in depreciation, amortization, or other income effects as a result of changes to provisional amounts calculated as if the accounting had been completed at the acquisition date. In addition, the amendments in the ASU require an entity to disclose the nature and amount of measurement-period adjustments recognized in the current period that would have been recorded in previous reporting periods if the adjustments had been recognized as of the acquisition date.

The amendments are effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. We have elected to early adopt the provisions of ASU 2015-16 as of December 31, 2015. The adoption of the ASU had no material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03") which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. The ASU is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The new guidance will be applied retrospectively to each prior period presented. We have elected to early adopt the provisions of ASU 2015-03 as of December 31, 2015. The adoption of the ASU resulted in a reclassification of approximately $5.8 million and $7.4 million on our December 31, 2015 and 2014 consolidated balance sheets, respectively, between prepaid and other assets and our total note payable outstanding. Of these amounts, approximately $1.5 million is netted against the current portion of our note payable outstanding for all periods presented. The adoption of the ASU was not deemed to have a material impact on our consolidated balance sheets.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. Under ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date,* the revenue standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Early adoption is permitted for periods beginning after December 15, 2016. We are currently evaluating the impact of our pending adoption of ASU 2015-14 and ASU 2014-09 on our consolidated financial statements.

2. FIXED ASSETS

Fixed assets consist of the following:

	December 31, 2015	December 31, 2014
Equipment	$660,813	$351,133
Software	114,097	297,978
Furniture and fixtures	85,646	75,118
Leasehold equipment	36,499	34,494
	897,055	758,723
Less: accumulated depreciation	625,088	551,794
Fixed assets, net	$271,967	$206,929

3. INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31, 2015	December 31, 2014
Patents and trademarks	$34,771	$34,771
Platform	1,284,551	781,618

Kiosk Development	64,802	64,802
Licenses	329,028	44,110
	1,713,152	925,301
Less: accumulated amortization	449,001	159,582
Intangible assets, net	$1,264,151	$765,719

Intangible assets are amortized over their useful lives ranging from periods of 3 to 15 years.

4. NOTES PAYABLE – RELATED PARTIES

	December 31, 2015	December 31, 2014
Note payable due to the former Chief Financial Officer of the Company, bearing no interest, due on January 15, 2015, and secured by assets of the Company. This note was paid off on January 15, 2015.	–	454,000
Note payable due to a shareholder of the Company, bearing 12% interest, unsecured and due January 15, 2015. This note was paid off on January 15, 2015.	–	100,000
Note payable due to the former Chief Technology Officer of the Company, bearing no interest, due on January 15, 2015, and secured by assets of the Company. This note was paid off on January 15, 2015.	–	79,440
Note payable due to a director of the Company and shareholder, bearing no interest, due on demand and unsecured. This note was paid off in January 2015.	–	51,000
Note payable due to a director of the Company and shareholder, bearing no interest, due on demand and unsecured. This note was paid off in January 2015.	–	16,000
	$ –	$700,440

5. NOTES PAYABLE

Notes payable consist of the following:

	December 31, 2015	December 31, 2014
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 company, interest at 13%, unsecured, and due August 13, 2015. This note was paid off January 15, 2015.	–	117,520
Note payable due to a shareholder of the Company.	–	19,400
Notes payable due to an equipment finance Company bearing interest at 13.49% and 12.89%.	24,098	38,526
	174,098	325,446
Less: non-current portion	–	–
	$174,098	$325,446

6. COMMON STOCK

At December 31, 2015, 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 42,510,765 shares of common stock, and no shares of preferred stock.

2015 Transactions: During the year ended December 31, 2015, the Company issued shares of common stock as follows:

- 629,159 shares of common stock issued for various services valued at $202,550.
- 212,500 shares of common stock issued for prior services which had previously been recorded as an accrued liability totaling $67,914 in 2014.
- 5,000,000 shares of common stock issued related to previously recorded stock payable for $680,000 in 2014.

At December 31, 2014, 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 36,669,106 shares of common stock, and no shares of preferred stock.

2014 Transactions: During the year ended December 31, 2014, the Company issued and cancelled shares of common stock as follows:

- 100,000 shares of common stock for an employee contract bonus valued at $0.15 per share.

- 75,000 shares of common stock for an employee contract bonus valued at $0.26 per share, including a 15% discount of fair market value due to these shares being restricted and lacking market liquidity.

- 2,442,000 shares of common stock were acquired through a debt settlement and retired, see Note 4 for additional discussions.

Warrants:

As of December 31, 2015, warrants outstanding consisted of the following:

Date of Issuance or Declaration	Number of Warrants	Exercise Price	Contractual Life	Number of Shares Exercisable
March 18, 2015	200,000	0.25	3 years	200,000
September 10, 2014	150,000	0.25	3 years	150,000
September 10, 2014	150,000	0.50	3 years	150,000
September 18, 2014	200,000	0.25	3 years	200,000
November 05, 2014	100,000	0.50	3 years	100,000
	800,000			800,000

Stock and Warrant Grants:

In March 2015, the Company granted 200,000 shares of common stock along with 200,000 warrants to a consultant. The shares were valued at $30,600 or $0.16 per share (including a 15% discount of fair market value due to these shares being restricted and lacking market liquidity). The warrants were valued at $34,611, using the Black-Scholes options pricing model under the following assumptions: stock price at issuance of $0.18 per share; exercise price of $0.25; 3 year life; discount rate of 2.00%; and volatility rate of 245%. The 200,000 shares and 200,000 warrants granted have a vesting period of six months of which seven months had vested as of December 31, 2015. As of December 31, 2015, the 200,000 shares have not been issued but the warrant for 200,000 shares were granted.

In August 2014, the Company granted 150,000 shares of common stock to a consultant with a total value of $25,500 or $0.17 per share (including a 15% discount of fair market value due to these shares being restricted and lacking market liquidity). The 150,000 shares granted have a vesting period of three years of which five and seventeen months had vested as of December 31, 2014. The approximate value vested for the years ended December 31, 2014 and 2015 was $3,500 and $12,000, for which a payable has been recorded for the same vested amount as of December 31, 2014 and 2015. As of December 31, 2015, 100,000 shares have been issued.

In September 2014, the Company granted 150,000 shares of common stock along with 150,000 Class A warrants and 150,000 Class B warrants to an advisory board member. The shares were valued at $19,125 or $0.13 per share (including a 15% discount of fair market value due to these shares being restricted and lacking market liquidity. The warrants were valued at $42,761, using the Black-Scholes options pricing model under the following assumptions: stock price at issuance of $0.15 per share; exercise price of $0.25 for the Class A warrants and $0.50 for the Class B warrants; 3 year life; discount rate of 2.00 %; and volatility rate of 245%. The 150,000 shares and 300,000 warrants granted vest over a 3 year period, at 50,000 shares and 100,000 warrants per year of which four and sixteen months had vested as of December 31, 2014 and 2015, respectively. The approximate value vested for the years ended December 31, 2014 and 2015 was $6,400 and $27,000, for which a payable has been recorded for the same vested amount as of December 31, 2014 and 2015. As of December 31, 2015, none of the 150,000 shares or 300,000 warrants have been issued or granted.

In September 2014, the Company granted 200,000 shares of common stock along with 200,000 warrants to a consultant. The shares were valued at $30,600 or $0.16 per share (including a 15% discount of fair market value due to these shares being restricted and lacking market liquidity). The warrants were valued at $34,611, using the Black-Scholes options pricing model under the following assumptions: stock price at issuance of $0.18 per share; exercise price of $0.25; 3 year life; discount rate of 2.00%; and volatility rate of 245%. The 200,000 shares and 200,000 warrants granted have a vesting period of six months of which four months had vested as of December 31, 2014. The approximate value vested for the year ended December 31, 2014 was $37,000, for which a payable has been recorded for the same vested amount as of December 31, 2014. As of December 31, 2015, the 200,000 shares and 200,000 warrants had been issued and granted.

In October 2014, the Company granted 150,000 shares of common stock to an advisory board member with a total value of $32,400 or $0.21 per share (including a 10% discount of fair market value due to these shares being restricted and lacking market liquidity). The 150,000 shares granted will vest over a 3 year period, at 50,000 shares per year of which three and fifteen months had vested as of December 31, 2014 and 2015, respectively. The approximate value vested for the year ended December 31, 2014 and 2015 was $2,200 and $13,000, respectively, for which a payable has been recorded for the same vested amount as of December 31, 2014 and 2015. As of December 31, 2015, 50,000 shares of the 150,000 shares granted have been issued.

In November 2014, the Company had granted a warrant for 100,000 shares of common stock as part of debt settlement (see Note 4) whereby the noteholder returned 2,442,000 shares of the Company's common stock in satisfaction of both principal and interest of the note. The warrant has an exercise price of $0.50 and life of three years.

In October 2013, the Company granted 300,000 shares of common stock to an employee of the Company with a total value of $38,250 or $0.13 per share (including a 15% discount of fair market value due to these shares being restricted and lacking market liquidity). The 300,000 shares granted have a vesting period of three years of which fourteen and twenty-six months had vested as of December 31, 2014 and 2015, respectively. The approximate value vested for the years ended December 31, 2014 and 2015 were $12,750 and $12,750, for which a payable has been recorded for the same vested amounts as of December 31, 2014 and 2015. As of December 31, 2015, none of the 300,000 shares granted have been issued.

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 originally had a vesting period of five years; however, the Company’s board accelerated the vesting period in 2014. The approximate value vested for the years ended December 31, 2014, 2013 and 2012 were $492,000, $136,000 and $52,000 respectively, for a total of $680,000 for which a payable was recorded for the same vested amount as of December 31, 2014. During 2015, the 5,000,000 shares granted were issued.

7. COMMITMENTS AND CONTINGENCIES

Office lease – The Company has an operating lease for an office space that expires April 30, 2016. The monthly lease payment totals $14,362 per month. Lease payments plus common area maintenance fees for the year ended December 31, 2015 and 2014 totaled $177,234 and $155,756 respectively.

Data Center Lease – The Company leases space for its data center in Las Vegas, Nevada under a co-location agreement. The agreement provides for lease payments of $4,616 per month.

Pending of threatened litigation – We may become involved in litigation from time to time in the ordinary course of business. However at December 31, 2015, to the best of our knowledge, no such litigation exists or is threatened.

8. LEGAL SETTLEMENT

On August 11, 2015, PSKW, LLC ("PSKW") served the Company, with a complaint styled PSKW, LLC v. 3Pea International, Inc., filed in the United States District Court for the Northern District of California, Case No. 5:15-cv-03576-RMW, San Jose Division (the "Action"). In the Action, PSKW asserted claims against the Company for $5,800,000 for marketing fees allegedly due by the Company. The Company contended, among other things, that PSKW breached its agreement with the Company, for which the Company was damaged in an amount in excess of the amount which PSKW claimed was owed by the Company to PSKW. The parties each denied liability, and entered into a Settlement Agreement and Release on October 2, 2015 whereby the Company agreed to pay $2,500,000 to PSKW in full settlement of the Action. The settlement amount is payable by an initial payment of $1,000,000 no later than October 7, 2015, which was paid in October 2015, with the balance of $1,500,000 being payable in equal monthly installments over 18 months with interest at 3% per annum commencing on November 1, 2015. The Court dismissed the Action with prejudice, but retained jurisdiction to enforce the Settlement Agreement. 3Pea Technologies, Inc., a wholly-owned subsidiary of the Company, guaranteed the amount due under the Settlement Agreement. The Company expensed the entire $2,500,000 settlement during the year ended December 31, 2015 since the principal terms of the Settlement Agreement had been agreed to as of that date. During the year ended December 31, 2015, the Company has paid a total of $1,245,342 and accrued the remaining unpaid balance totaling $1,254,658 as a settlement payable as of December 31, 2015.

9. SUBSEQUENT EVENTS

Since January 1, 2016, the Company has issued 262,500 shares of common stock related to its common stock payable as of December 31, 2015 approximating $32,000.

F-16