

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

3PEA INTERNATIONAL, INC.

Form: 10-Q

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Corporate Issuer CIK: 1496443

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

or

☐ TRANSITION REPORT PURSUANT TO 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 small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

95-4550154
(IRS Employer Identification No.)

1700 W Horizon Ridge Parkway, Suite 201,
Henderson, Nevada 89012
(Address of principal executive offices)

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

(Former name, former address and former fiscal year, if changed since last report)

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 preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒

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

Large accelerated filer ☐
Non-accelerated filer ☐
Emerging growth company ☒

Accelerated filer ☐
Smaller reporting company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 43,660,765 shares as of November 1, 2017.

FORM 10-Q REPORT
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

3PEA INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current assets		
Cash	\$ 1,916,736	\$ 1,631,943
Cash Restricted	12,498,529	10,002,505
Accounts Receivable	183,521	110,269
Prepaid Expenses and other assets	521,895	270,634
Total current assets	15,120,681	12,015,531
Fixed assets, net	852,136	300,761
Intangible and other assets		
Deposits	5,551	5,551
Intangible assets, net	1,524,063	1,550,044
Total assets	\$ 17,502,431	\$ 13,871,707
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 806,454	\$ 765,596
Customer card funding	12,498,529	10,002,505
Legal settlement payable – current portion	–	254,900
Notes payable	–	124,168
Total current liabilities	13,304,983	11,147,169
Long-term liabilities		
Notes payable	–	27,892
Total long-term liabilities	–	27,892
Total liabilities	13,304,983	11,175,061
Stockholders' equity		
Common stock; \$0.001 par value; 150,000,000 shares authorized, 43,660,765 and 43,185,765 issued and outstanding at September 30, 2017 and December 31, 2016, respectively	43,661	43,186
Additional paid-in capital	7,085,324	6,797,759
Treasury stock at cost, 303,450 shares at September 30, 2017 and December 31, 2016	(150,000)	(150,000)
Accumulated deficit	(2,545,609)	(3,799,613)
Total 3Pea International, Inc.'s stockholders' equity	4,433,376	2,891,332
Noncontrolling interest	(235,928)	(194,686)
Total stockholders' equity	4,197,448	2,696,646
Total liabilities and stockholders' equity	\$ 17,502,431	\$ 13,871,707

See accompanying notes to consolidated financial statements.

3PEA INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(UNAUDITED)

	For the three months ended September 30,	
	2017	2016
Revenues	\$ 4,001,991	\$ 2,812,536
Cost of revenues (excluding depreciation and amortization)	2,145,621	1,522,458
Gross profit	1,856,370	1,290,078
Operating expenses		
Depreciation and amortization	276,533	149,342
Selling, general and administrative	1,104,280	660,556
Total operating expenses	1,380,813	809,898
Income from operations	475,557	480,180
Other income (expense)		
Other income	14,398	4,986
Interest expense	—	(20,483)
Total other income (expense)	14,398	(15,497)
Income before provision for income taxes and noncontrolling interest	489,955	464,683
Provision for income taxes	3,000	—
Net income before noncontrolling interest	486,955	464,683
Net loss attributable to noncontrolling interest	13,213	15,746
Net income attributable to 3Pea International, Inc.	\$ 500,168	\$ 480,429
Net income per common share - basic	\$ 0.01	\$ 0.01
Net income per common share - fully diluted	\$ 0.01	\$ 0.01
Weighted average common shares outstanding - basic	43,474,895	42,948,265
Weighted average common shares outstanding - fully diluted	44,544,895	43,138,279

See accompanying notes to consolidated financial statements.

3PEA INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(UNAUDITED)

	For the nine months ended September 30,	
	2017	2016
Revenues	\$ 10,621,055	\$ 7,369,540
Cost of revenues (excluding depreciation and amortization)	5,834,709	4,062,062
Gross profit	4,786,346	3,307,478
Operating expenses		
Depreciation and amortization	725,401	406,328
Selling, general and administrative	2,847,955	2,054,351
Total operating expenses	3,573,356	2,460,679
Income from operations	1,212,990	846,799
Other income (expense)		
Other income	40,395	10,900
Interest expense	(31,623)	(58,748)
Total other income (expense)	8,772	(47,848)
Income before provision for income taxes and noncontrolling interest	1,221,762	798,951
Provision for income taxes	9,000	—
Net income before noncontrolling interest	1,212,762	798,951
Net loss attributable to noncontrolling interest	41,242	99,097
Net income attributable to 3Pea International, Inc.	\$ 1,254,004	\$ 898,048
Net income per common share - basic	\$ 0.03	\$ 0.02
Net income per common share - fully diluted	\$ 0.03	\$ 0.02
Weighted average common shares outstanding - basic	43,308,750	42,844,570
Weighted average common shares outstanding - fully diluted	44,378,750	42,991,542

See accompanying notes to consolidated financial statements.

3PEA INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	Stockholders' Equity Attributable to 3Pea International, Inc.						Non- controlling Interest	Total Stockholders' Equity
	Common Stock		Additional Paid-in Capital	Treasury Stock Amount	Accumulated Deficit			
	Shares	Amount						
Balance, December 31, 2016 (Audited)	43,185,765	\$ 43,186	\$ 6,797,759	\$ (150,000)	\$ (3,799,613)	\$ (194,686)	\$ 2,696,646	
Issuance of stock for services (Unaudited)	75,000	75	12,807	—	—	—	12,882	
Stock issued for employee bonus (Unaudited)	200,000	200	84,200	—	—	—	84,400	
Stock Based Compensation (Unaudited)	—	—	140,758	—	—	—	140,758	
Exercise of Warrants (Unaudited)	200,000	200	49,800	—	—	—	50,000	
Net income (loss) (Unaudited)	—	—	—	—	1,254,004	(41,242)	1,212,762	
Balance, September 30, 2017 (Unaudited)	43,660,765	\$ 43,661	\$ 7,085,324	\$ (150,000)	\$ (2,545,609)	\$ (235,928)	\$ 4,197,448	

See accompanying notes to consolidated financial statements.

3PEA INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(UNAUDITED)

	For the nine months ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 1,254,004	\$ 898,048
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in noncontrolling interest	(41,242)	(99,097)
Depreciation and amortization	725,401	406,328
Stock based compensation	238,040	40,091
Changes in operating assets and liabilities:		
Change in accounts receivable	(73,252)	(93,531)
Change in prepaid expenses	(251,261)	4,028
Change in other assets	—	(2,000)
Change in accounts payable and accrued liabilities	40,858	237,511
Change in customer card funding	2,496,024	1,726,127
Change in legal settlement payable	(254,900)	(746,954)
Net cash provided by operating activities	<u>4,133,672</u>	<u>2,370,551</u>
Cash flows from investing activities:		
Purchase of fixed assets	(649,260)	(52,111)
Purchase of intangible assets	(601,535)	(551,448)
Net cash used in investing activities	<u>(1,250,795)</u>	<u>(603,559)</u>
Cash flows from financing activities:		
Proceeds from borrowing on note payable	—	29,053
Proceeds from exercise of warrants	50,000	—
Payments on notes payable	(152,060)	(126,308)
Net cash used in financing activities	<u>(102,060)</u>	<u>(97,255)</u>
Net change in cash and restricted cash	2,780,817	1,669,737
Cash and restricted cash, beginning of period	<u>11,634,448</u>	<u>8,453,439</u>
Cash and restricted cash, end of period	<u>\$ 14,415,265</u>	<u>\$ 10,123,176</u>
Supplemental cash flow information:		
Non-cash financing activities:		
Transfer of accrued interest from accrued liabilities to notes payable	\$ —	\$ 115,227
Interest paid	\$ 46,663	\$ 58,748
Income taxes paid	\$ 16,200	\$ —

See accompanying notes to consolidated financial statements.

3PEA INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT POLICIES

The foregoing unaudited consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included on Form 10-K for the year ended December 31, 2016. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumption are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions that could have a material effect on the reported amounts of the Company's financial position and results of operations.

Operating results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

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 customers as a means to increase customer loyalty, reduce administration costs and streamline operations. Public sector organizations can utilize our 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 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, donor compensation 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 and per diem 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), SMS alerts and two way SMS messaging.

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

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

Restricted cash – Restricted cash is a cash account controlled by the Company which funds are received related to the card programs from our customers. The Company has recorded a corresponding customer card funding liability. Restricted cash is not available to the company for corporate use.

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 unit's 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. No impairment was deemed necessary in the three and nine month period ended September 30, 2017.

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

Platform and Licenses are comprised of costs associated with our development and continual development of our platform which includes direct development costs, software and licenses.

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 September 30, 2017 and December 31, 2016, there were no deferred revenues recorded.

We generate the following types of revenues:

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

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

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

Reclassification of prior year presentation - Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations or cash flows. During the first quarter of 2017, the Company concluded that it was appropriate to reclassify its customer service center costs from general and administration expense to cost of sales for the three and nine months ended September 30, 2016. In the second quarter of 2017, the company concluded that it was appropriate to reclassify stock payable from liabilities to additional paid in capital for the three and nine month period ended September 30, 2017. These changes in classification does not affect previously reported cash flows from operations in the Consolidated Statement of Cash Flows, and had no effect on the previously reported net income of the Consolidated Statement of Income for any period.

Recent Accounting Pronouncements – In November 2016, the FASB issued Accounting Standards Update 2016-18, “Statement of Cash Flows – Restricted Cash a consensus of the FASB Emerging Issues Task Force.” This standard requires restricted cash and cash equivalents to be included with cash and cash equivalents on the statement of cash flows under a retrospective transition approach. The guidance became effective for fiscal years beginning December 15, 2017 and interim periods within those fiscal years. The Company has retrospectively adopted ASU 2016-18.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“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. ASU 2014-09, as amended by ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted for annual reporting periods beginning after December 15, 2016. The FASB has also issued a number of additional technical corrections since the initial ASU, all of which follow the effective dates of the new revenue recognition guidance under Topic 606. The amendment allows companies to use either a full retrospective or a modified retrospective approach to adopt this ASU. We have formed a project team and are currently assessing the impact of the adoption of this principle on our consolidated financial statements. We anticipate adopting this ASU on January 1, 2018 using the modified retrospective approach, however, may opt for the full retrospective method depending on the final outcome of our evaluation.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently assessing the impact of this pronouncement on the Company’s financial statements.

2. FIXED ASSETS

Fixed assets consist of the following:

	September 30, 2017	December 31, 2016
Equipment	\$ 1,343,717	\$ 746,117
Software	120,795	117,163
Furniture and fixtures	119,550	107,141
Website Costs	21,117	–
Leasehold improvements	50,999	36,499
	<u>1,656,178</u>	<u>1,006,920</u>
Less: accumulated depreciation	(804,042)	(706,159)
Fixed assets, net	<u>\$ 852,136</u>	<u>\$ 300,761</u>

Fixed assets are depreciated over their useful lives ranging from periods of 3 to 7 years.

3. INTANGIBLE ASSETS

Intangible assets consist of the following:

	September 30, 2017	December 31, 2016
Patents and trademarks	\$ 34,940	\$ 34,771
Platform and licenses	2,602,924	2,008,307
Kiosk development	64,802	64,802
Licenses	389,165	382,414
	<u>3,091,831</u>	<u>2,490,294</u>
Less: accumulated amortization	(1,567,768)	(940,250)
Intangible assets, net	<u>\$ 1,524,063</u>	<u>\$ 1,550,044</u>

Intangible assets are amortized over their useful lives ranging from periods of 3 to 5 years.

4. NOTES PAYABLE

Notes payable consist of the following:

	September 30, 2017	December 31, 2016
Note payable due to a shareholder of the Company, bearing fixed interest at 8%, at December 31, 2016 due on demand and unsecured.	\$ —	\$ 102,613
Notes payable due to various equipment finance companies bearing interest from 12.89% to 15.14% at December 31, 2016.	—	49,447
	—	<u>152,060</u>
Less: current portion	—	(124,168)
Notes payable – long term portion	<u>\$ —</u>	<u>\$ 27,892</u>

5. COMMON STOCK

At September 30, 2017, 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 43,660,765 shares of common stock, and no shares of preferred stock.

2017 Transactions: During the nine months ended September 30, 2017, the Company issued shares of common stock as follows:

- 75,000 shares of common stock for current services rendered totaling \$12,882 or \$0.17 per share (average cost).
- 200,000 shares of common stock issued to an employee as a bonus totaling \$84,400 or \$0.42 per share (average cost)
- 200,000 shares of common stock were issued related to exercise of a warrant with an exercise price of \$0.25 for a total of \$50,000 in cash proceeds.

2016 Transactions: During the nine months ended September 30, 2016, the Company issued shares of common stock as follows:

- 437,500 shares of common stock for current services rendered and prior services which had previously been recorded as accrued liability totaling \$98,810 or \$0.23 per share (average cost).

Stock and Warrant Grants:

In July 2017 the Company granted 200,000 shares of restricted common stock to an employee of the Company with a total value of \$84,400 or \$0.422 per share. These shares have been issued. Concurrently, the Company also granted the employee four equal tranches of 200,000 restricted common shares, each valued at \$84,400 which will vest in equal amounts over a four year period on the last day of each quarter, commencing December 31, 2017. None of these shares have been issued.

In November 2016, the Company granted a total of 5,000,000 shares to certain officers and directors of the Company with a total value of \$787,950 or \$0.15759 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 have a quarterly vesting period of five years with the first vesting period occurring on December 31, 2016. The approximate value vested for the three and nine months ended September 30, 2017 was \$39,397 and \$118,191 respectively. As of September 30, 2017, none of the shares have been issued.

In November 2016, the Company granted 210,000 shares to a consultant. The shares were valued at \$33,094 or \$0.15759 per share (including a 15% discount of fair market value due to these shares being restricted and lacking market liquidity). The 210,000 shares have a quarterly vesting period of three years with the first vesting period occurring on December 31, 2016. The approximate value vested for the three and nine months ended September 30, 2017 was \$2,758 and \$8,274, respectively. The approximate value vested for 2016 is \$2,758. As of September 30, 2017, none of the shares have been issued.

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 \$0.50, 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, and were fully vested as of March 31, 2016. As of March 31, 2017, the 200,000 shares have been issued and the warrants 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 and is fully vested as of September 30, 2017. The approximate value vested for the three and nine months ended September 30, 2017 and 2016 was \$2,100, and \$6,300, respectively. As of September 30, 2017, 100,000 shares granted 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 \$19,250 or \$0.13 per share (including a 15% discount of fair market value due to these shares being restricted and lacking market liquidity). The 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 thirty-six months had vested as of September 30, 2017. The approximate value vested for the three months ended September 30, 2017 and 2016 was \$5,100 respectively and for the nine months ended September 30, 2017 and 2016 was \$14,200 and \$15,300, respectively. As of September 30, 2017, all of the 150,000 shares were issued and the 300,000 warrants granted have expired.

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 had a vesting period of nine months and were fully vested as March 31, 2015. During the three months ended March 31, 2016 the company had issued the 200,000 shares and warrant for 200,000 shares of common stock. As of September 30, 2017, warrants relating to 200,000 shares have been exercised for total proceeds of \$50,000.

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 and is fully vested as of September 30, 2017. The approximate value vested for the three months and nine months ended September 30, 2017 and 2016 was \$2,700 and \$8,100, respectively. As of September 30, 2017, all 150,000 of the shares have been issued.

In November 2014, the Company issued a warrant for 100,000 shares of common stock as part of an issuance of note payable totaling \$100,000. The warrant has an exercise price of \$0.50 per share 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 \$0.15 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 and was fully vested as of October 2016. The approximate value vested for the three and nine months ended September 30, 2017 and 2016 was \$0.00 and \$3,200, respectively. As of March 31, 2017, all 300,000 shares granted have been issued.

6. LEGAL SETTLEMENT PAYABLE

On August 11, 2015, PSKW, LLC ("PSKW") served the Company, with a complaint titled 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 was payable by an initial payment of \$1,000,000 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. As of March 31, 2017, the settlement was paid in full.

7. SUBSEQUENT EVENTS

There were no reportable subsequent events after September 30, 2017 through the date of this filing.

Disclosure Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q 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. 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 compensation 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 (IVR), SMS alerts and two way SMS messaging platforms.

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, 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.

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 is devoting more extensive resources to sales and marketing activities as we have added essential personnel to our marketing and sales department. We sell our products directly to customers in the U.S. but may work with a small number of resellers and third parties in international markets to identify, sell and support targeted opportunities.

In order to expand into new markets, we will need to invest additional funds in technology improvements, sales and marketing expenses, and regulatory compliance costs. We are considering raising capital 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

Three Months ended September 30, 2017 and 2016

Revenues for the three months ended September 30, 2017 were \$4,001,991, an increase of \$1,189,455 compared to the same period in the prior year, when revenues were \$2,812,536. The increase in revenue is primarily due to an increase in the number of new corporate incentive prepaid card products and growth within our existing corporate incentive prepaid card products. However, our revenue during this period was slightly impacted by diminished card usage in areas affected by hurricanes in Texas and Florida. As of September 30, 2017, we managed 175 card programs with over 1,390,000 participating cardholders.

The Company expects revenues to continue to trend upwards for the foreseeable future as we expect to onboard over 35 additional corporate incentive card programs in the fourth quarter of 2017.

Cost of revenues for the three months ended September 30, 2017 were \$2,145,621, an increase of \$623,163 compared to the same period in the prior year, when cost of revenues was \$1,522,458. Cost of revenues constituted approximately 54% and 54% of total revenues in the same quarter 2017 and 2016, respectively. Although cost of revenues remained relatively constant when compared to the same period in the previous year, cost of revenue in the period ended September 30, 2017 was impacted by costs associated with program set up and launch. Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, card production costs, customer service and program management expenses, application integration setup and sales expense.

Gross profit for the three months ended September 30, 2017 was \$1,856,370, an increase of \$566,292 compared to the same period in the prior year, when gross profit was \$1,290,078. Our overall gross profit percentage approximated 46% and 46% during the second quarters of 2017 and 2016 which is consistent with our overall expectations.

Depreciation and amortization for the three months ended September 30, 2017 were \$276,533, an increase of \$127,191 compared to the same period prior year of \$149,342. Overall increase in depreciation and amortization was primarily a result of an increase in depreciation related to an increase in capital expenditures and amortization expense related to additional capitalized platform costs.

Selling, general and administrative expenses for the three months ended September 30, 2017 were \$1,104,280, an increase of \$443,724 compared to the same period in the prior year, when selling, general and administrative expenses were \$660,556. The increase in selling, general and administrative expenses was due to increases in staff as we experienced an accelerated rate of new card product launches in the second half of 2017.

In the three months ended September 30, 2017, we recorded operating income of \$475,557, as compared to \$480,180 in the same period in the prior year, representing a decrease in operating income of \$(4,623).

Other income (expense) for the three months ended September 30, 2016 was \$14,398 an increase in net other income (expense) of \$29,895 compared to the same period in the prior year when other income (expense) was \$(15,497) which is within our overall expectations.

Net income before noncontrolling interest for the three months ended September 30, 2017 was \$489,955, an increase of \$25,272 compared to the same period in the prior year of \$464,683. The increase in our net income before noncontrolling interest is attributable to the aforementioned factors.

Net loss attributable to noncontrolling interest for the three months ended September 30, 2017 was \$13,213, a decrease of \$2,533 compared to the same period in the prior year of \$15,746. The decrease in net loss attributable to noncontrolling interest is primarily due to a decrease in expenses related to our European operations.

Net income attributable to 3Pea International, Inc. for the three months ended September 30, 2017 was \$500,168, an increase of \$19,739 compared to the same period in the prior year, when we recorded net income of \$480,429. The increase in our net income is attributable to the aforementioned factors.

Nine Months ended September 30, 2017 and 2016

Revenues for the nine months ended September 30, 2017 were \$10,621,055, an increase of \$3,251,515 compared to the same period in the prior year, when revenues were \$7,369,540. The increase in revenue is primarily due to an increase in the number of new corporate incentive prepaid card products and growth within our existing corporate incentive prepaid card products.

Cost of revenues for the nine months ended September 30, 2017 were \$5,834,709, an increase of \$1,772,647 compared to the same period in the prior year, when cost of revenues was \$4,062,062. Cost of revenues constituted approximately 55% and 55% of total revenues in 2017 and 2016, respectively. Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, card production costs, customer service and program management expenses, application integration setup and sales expense.

Gross profit for the nine months ended September 30, 2017 was \$4,786,346, an increase of \$1,478,868 compared to the same period in the prior year, when gross profit was \$3,307,478. Our overall gross profit percentage approximated 45% and 45% during the first nine months of 2017 and 2016 which is consistent with our overall expectations.

Depreciation and amortization for the nine months ended September 30, 2017 were \$725,401, an increase of \$319,073 compared to the same period prior year of \$406,328. Overall increase in depreciation and amortization was primarily a result of an increase in amortization expense related to additional capitalized platform costs.

Selling, general and administrative expenses for the nine months ended September 30, 2017 were \$2,847,955, an increase of \$793,604 compared to the same period in the prior year, when selling, general and administrative expenses were \$2,054,351. The increase in selling, general and administrative expenses was due to increases in staff in anticipation of an accelerated rate of new card product launches in the second half of 2017.

In the nine months ended September 30, 2017, we recorded operating income of \$1,212,990, as compared to \$846,799 in the same period in the prior year, an increase in operating income of \$366,191.

Other income (expense) for the nine months ended September 30, 2017 was \$8,772, an increase in net other income (expense) of \$56,620 compared to the same period in the prior year when other income (expense) was \$(47,848) which is within our overall expectations.

Net income before noncontrolling interest for the nine months ended September 30, 2017 was \$1,212,762, an increase of \$413,811 compared to the same period in the prior year of \$798,951. The increase in our net income before noncontrolling interest is attributable to the aforementioned factors.

Net loss attributable to noncontrolling interest for the nine months ended September 30, 2017 was \$41,242, a decrease of \$(57,855) compared to the same period in the prior year of \$99,097. The decrease in net loss attributable to noncontrolling interest is primarily due to a decrease in expenses related to our European subsidiary.

Net income attributable to 3Pea International, Inc. for the nine months ended September 30, 2017 was \$1,254,004, an increase of \$355,956 compared to the same period in the prior year, when we recorded net income of \$898,048. The increase in our net income is attributable to the aforementioned factors.

Liquidity and Sources of Capital

The following table sets forth the major sources and uses of cash for the nine months ended September 30, 2017 and 2016:

	Nine months ended September 30,	
	2017	2016
Net cash provided by operating activities	\$ 4,133,672	\$ 2,370,551
Net cash (used) in investing activities	(1,250,795)	(603,559)
Net cash (used) in financing activities	(102,060)	(97,255)
Net increase in cash, restricted cash and cash equivalents	<u>\$ 2,780,817</u>	<u>\$ 1,669,737</u>

During the nine months ended September 30, 2017 and 2016, we financed our operations primarily through revenues generated from operations.

Operating activities provided \$4,133,672 of cash and restricted cash in the nine months ended September 30, 2017, as compared to \$2,370,551 of cash and restricted cash in the same period in the prior year. Restricted cash increased by \$2,496,024 as a result of an increase in customer card funding. Major non-cash items that affected our cash flow from operations in the nine months ended September 30, 2017 were non-cash charges of \$725,401 for depreciation and amortization and stock based compensation of \$238,040. Our operating assets and liabilities provided 1,957,469 of cash, most of which resulted from an increase in customer card funding of \$2,496,024 a decrease in prepaid expenses of \$(251,261) and a decrease in our legal settlement payable of \$(254,900). Major non-cash items that affected our cash flow from operations in the nine months ended September 30, 2016 were non-cash charges of \$406,328 for depreciation and amortization and stock based compensation of \$40,091. Our operating assets and liabilities provided \$1,125,181 of cash, most of which resulted from an increase in customer card funding of \$1,726,127, offset by a decrease in our legal settlement payable of \$(746,954).

Investing activities used \$(1,250,795) of cash in the nine months ended September 30, 2017, as compared to \$(603,559) of cash used in the same period in 2016, in both periods, cash used in investing activities related to capital expenditures and the continuous enhancement of the processing platform used in our business.

Financing activities used \$(102,060) of cash in the nine months ended September 30, 2017 as compared to \$(97,255) of cash used in the nine months ended September 30, 2016. In 2017, cash used in financing activities consisted of payments on notes payables totaling \$152,060 offset by \$50,000 received from the exercise of a warrant. In 2016, cash used in financing activities consisted of payments on notes payables totaling \$126,308 offset by \$29,053 received from a note payable.

Sources of Financing

We believe that our available unrestricted cash on hand at September 30, 2017 of \$1,916,736 and revenues anticipated for the remainder of 2017 and 2018 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 Estimates

Our significant accounting policies are described in Note 1 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.

Any estimates we make 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Because the Company is a smaller reporting company, it is not required to provide the information called for by this Item.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and 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 the 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 September 30, 2017. Based on that evaluation, our chief executive officer and chief financial officer have 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 quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are not presently a party to any material litigation, nor to the knowledge of management is any litigation threatened against us, which may materially affect us.

ITEM 1A. RISK FACTORS.

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the three months ended September 30, 2017, the Company issued 50,000 shares of common stock for current services rendered and 200,000 shares of restricted common stock to an employee. The shares were granted pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

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

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

3PEA INTERNATIONAL, INC.

Date: November 13, 2017

/s/ Mark Newcomer

By: Mark Newcomer, Chief Executive Officer
(principal executive officer)

Date: November 13, 2017

/s/ Brian Polan

By: Brian Polan, Chief Financial Officer
(principal financial and accounting officer)

CERTIFICATION

I, Mark Newcomer, hereby certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2017 (the "report") of 3Pea International, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2017

/s/ Mark Newcomer

Mark Newcomer

Chief Executive Officer

(principal executive officer)

CERTIFICATION

I, Brian Polan, hereby certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2017 (the "report") of 3Pea International, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2017

/s/ Brian Polan

Brian Polan

Chief Financial Officer

(principal financial and accounting officer)

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of 3Pea International, Inc., a Nevada corporation (the "Company"), does hereby certify, to the best of his knowledge, that:

1. The Quarterly Report on Form 10-Q for the period ending September 30, 2017 (the "Report") of the Company complies in all material respects with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark Newcomer

Mark Newcomer,
Chief Executive Officer
(principal executive officer)

Date: November 13, 2017

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of 3Pea International, Inc., a Nevada corporation (the "Company"), does hereby certify, to the best of his knowledge, that:

1. The Quarterly Report on Form 10-Q for the period ending September 30, 2017 (the "Report") of the Company complies in all material respects with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian Polan

Brian Polan

Chief Financial Officer

(principal financial and accounting officer)

Date: November 13, 2017