

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

3PEA INTERNATIONAL, INC.

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

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, 2018

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 200,
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 every Interactive Data File required to be submitted 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 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: 44,100,765 shares as of November 9, 2018.

FORM 10-Q REPORT
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

3PEA INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current assets		
Cash	\$ 4,299,570	\$ 2,748,313
Cash restricted	20,436,369	14,416,444
Accounts receivable	390,959	165,523
Prepaid expenses and other current assets	1,103,407	572,789
Total current assets	<u>26,230,305</u>	<u>17,903,069</u>
Fixed assets, net	907,034	854,402
Intangible and other assets		
Deposits	4,551	5,551
Intangible assets, net	1,985,763	1,639,557
Total assets	<u>\$ 29,127,653</u>	<u>\$ 20,402,579</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,052,438	\$ 1,145,083
Customer card funding	20,436,369	14,416,444
Total current liabilities	<u>21,488,807</u>	<u>15,561,527</u>
Total liabilities	<u>21,488,807</u>	<u>15,561,527</u>
Stockholders' equity		
Common stock; \$0.001 par value; 150,000,000 shares authorized, 44,100,765 and 43,670,765 issued and outstanding at September 30, 2018 and December 31, 2017, respectively	44,101	43,671
Additional paid-in capital	8,011,043	7,155,970
Treasury stock at cost, 303,450 shares at September 30, 2018 and December 31, 2017	(150,000)	(150,000)
Accumulated deficit	(63,047)	(2,008,472)
Total 3PEA International, Inc.'s stockholders' equity	7,842,097	5,041,169
Noncontrolling interest	(203,251)	(200,117)
Total stockholders' equity	<u>7,638,846</u>	<u>4,841,052</u>
Total liabilities and stockholders' equity	<u>\$ 29,127,653</u>	<u>\$ 20,402,579</u>

See accompanying notes to consolidated financial statements.

3PEA INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

	For the three months ended September 30,	
	2018	2017
Revenues	\$ 6,421,396	\$ 4,001,991
Cost of revenues (excluding depreciation and amortization)	3,376,753	2,145,621
Gross profit	3,044,643	1,856,370
Operating expenses		
Depreciation and amortization	284,124	276,533
Selling, general and administrative	1,996,957	1,104,280
Total operating expenses	2,281,081	1,380,813
Income from operations	763,562	475,557
Other income		
Interest income	36,683	14,398
Total other income	36,683	14,398
Income before provision for income taxes and noncontrolling interest	800,245	489,955
Provision for income taxes	-	3,000
Net income before noncontrolling interest	800,245	486,955
Net loss attributable to the noncontrolling interest	617	13,213
Net income attributable to 3PEA International, Inc.	\$ 800,862	\$ 500,168
Net income per common share - basic	\$ 0.02	\$ 0.01
Net income per common share - fully diluted	\$ 0.02	\$ 0.01
Weighted average common shares outstanding - basic	46,467,826	43,474,895
Weighted average common shares outstanding - fully diluted	46,668,798	44,544,895

See accompanying notes to consolidated financial statements.

3PEA INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

	For the nine months ended September 30,	
	2018	2017
Revenues	\$ 16,558,438	\$ 10,621,055
Cost of revenues (excluding depreciation and amortization)	8,650,839	5,834,709
Gross profit	7,907,599	4,786,346
Operating expenses		
Depreciation and amortization	779,797	725,401
Selling, general and administrative	5,244,684	2,847,955
Total operating expenses	6,024,481	3,573,356
Income from operations	1,883,118	1,212,990
Other income (expense)		
Interest income	62,298	40,395
Interest expense	-	(31,623)
Total other income (expense)	62,298	8,772
Income before provision for income taxes and noncontrolling interest	1,945,416	1,221,762
Provision for income taxes	3,125	9,000
Net income before noncontrolling interest	1,942,291	1,212,762
Net loss attributable to the noncontrolling interest	3,134	41,242
Net income attributable to 3PEA International, Inc.	\$ 1,945,425	\$ 1,254,004
Net income per common share - basic	\$ 0.04	\$ 0.03
Net income per common share - fully diluted	\$ 0.04	\$ 0.03
Weighted average common shares outstanding - basic	46,370,177	43,308,750
Weighted average common shares outstanding - fully diluted	46,571,149	44,378,750

See accompanying notes to consolidated financial statements.

3PEA INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(UNAUDITED)

	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, 2017 (Audited)	43,670,765	\$ 43,671	\$ 7,155,970	\$ (150,000)	\$ (2,008,472)	\$ (200,117)	\$ 4,841,052	
Stock-based compensation	-	-	137,401	-	-	-	137,401	
Net income (loss)	-	-	-	-	412,548	(1,895)	410,653	
March 31, 2018 (Unaudited)	43,670,765	43,671	7,293,371	(150,000)	(1,595,924)	(202,012)	5,389,106	
Stock-based compensation	-	-	212,181	-	-	-	212,181	
Net income (loss)	-	-	-	-	732,015	(622)	731,393	
June 30, 2018 (Unaudited)	43,670,765	43,671	7,505,552	(150,000)	(863,909)	(202,634)	6,332,680	
Stock warrant exercised	200,000	200	99,800	-	-	-	100,000	
Issuance of stock for services	230,000	230	59,959	-	-	-	60,189	
Stock-based compensation	-	-	345,732	-	-	-	345,732	
Net income (loss)	-	-	-	-	800,862	(617)	800,245	
Balance, September 30, 2018 (Unaudited)	44,100,765	\$ 44,101	\$ 8,011,043	\$ (150,000)	\$ (63,047)	\$ (203,251)	\$ 7,638,846	

See accompanying notes to consolidated financial statements.

3PEA INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

	For the nine months ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 1,945,425	\$ 1,254,004
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in noncontrolling interest	(3,134)	(41,242)
Depreciation and amortization	779,797	725,401
Stock based compensation	755,503	238,040
Changes in operating assets and liabilities:		
Change in accounts receivable	(225,436)	(73,252)
Change in prepaid expenses	(530,618)	(251,261)
Change in other assets	1,000	-
Change in accounts payable and accrued liabilities	(92,645)	40,858
Change in customer card funding	6,019,925	2,496,024
Change in legal settlement payable	-	(254,900)
Net cash provided by operating activities	<u>8,649,817</u>	<u>4,133,672</u>
Cash flows from investing activities:		
Purchase of fixed assets	(217,730)	(649,260)
Intangible assets	(960,905)	(601,535)
Net cash used in investing activities	<u>(1,178,635)</u>	<u>(1,250,795)</u>
Cash flows from financing activities:		
Proceeds from exercise of warrants	100,000	50,000
Payments on notes payable	-	(152,060)
Net cash provided by (used in) financing activities	<u>100,000</u>	<u>(102,060)</u>
Net change in cash and restricted cash	7,571,182	2,780,817
Cash and restricted cash, beginning of period	<u>17,164,757</u>	<u>11,634,448</u>
Cash and restricted cash, end of period	<u>\$ 24,735,939</u>	<u>\$ 14,415,265</u>
Supplemental cash flow information:		
Non-cash operating activities:		
Issuance of stock for future services	<u>\$ 277,911</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ 46,663</u>
Income taxes paid	<u>\$ 3,125</u>	<u>\$ 16,200</u>

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, 2017. 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 3PEA International, Inc's (hereinafter referred to as "the Company", "3PEA", "we" or "us") 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, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

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 card solutions under our PaySign® brand. As we are a payment processor and prepaid card program manager, we derive our revenue from all stages of the prepaid 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, plasma 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 issuing banks.

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 prepaid 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.

Cash restricted and Customer card funding – At September 30, 2018 and December 31, 2017, restricted cash consists of funds held specifically for our card products for which we have recorded a corresponding customer card funding liability in the same amount. Restricted cash is not available for corporate use.

Intangible assets – Internally Developed Software Costs - Computer software development costs are expensed as incurred, except for internal use software or website development costs that qualify for capitalization as described below, and include compensation and related expenses, costs of hardware and software, and costs incurred in developing features and functionality.

For computer software developed or obtained for internal use, costs that are incurred in the preliminary project and post implementation stages of software development are expensed as incurred. Costs incurred during the application and development stage are capitalized. Capitalized costs are amortized using the straight-line method over a three-year estimated useful life, beginning in the period in which the software is available for use.

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.

Income Taxes

The Company intends on using their net operating loss carryforwards to offset any future taxable income and therefore has not recorded a provision for income taxes for the three and nine months ended September 30, 2018.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*, guidance on recognizing revenue from contracts with customers. The guidance outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the model is that an entity recognizes revenue to portray the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also expands disclosure requirements regarding revenue recognition. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017 and may be applied retrospectively to each prior period presented or using a modified retrospective approach with the cumulative effect recognized as of the date of initial application. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2016. We adopted this guidance as of January 1, 2018 using the modified retrospective transition method. The adoption of the guidance did not have a material impact on our financial condition and results of operations. The standard also requires new, expanded disclosures regarding revenue recognition. Several ASU's have been issued since the issuance of ASU 2014-09. These ASU's, which modify certain sections of ASU 2014-09 are intended to promote a more consistent interpretation and application of the principles outlined in the standard.

We recognize revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customers; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligations.

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 June 2018, the FASB issued ASU 2018-17, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. Under the guidance, equity-classified nonemployee awards are measured on the grant date, rather than on the earlier of (1) the performance commitment date or (2) the date at which the nonemployee's performance is complete. The guidance is effective in annual periods beginning after 15 December 2018, and interim periods within those years. We are currently evaluating the impact of adopting the new standards on our consolidated financial statements.

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.

2. FIXED ASSETS

Fixed assets consist of the following:

	September 30, 2018	December 31, 2017
Equipment	\$ 1,556,163	\$ 1,387,589
Software	165,274	123,913
Furniture and fixtures	132,868	126,174
Website Costs	25,467	25,467
Leasehold improvements	51,694	50,999
	<u>1,931,466</u>	<u>1,714,142</u>
Less: accumulated depreciation	1,024,432	859,740
Fixed assets, net	<u>\$ 907,034</u>	<u>\$ 854,402</u>

3. INTANGIBLE ASSETS

Intangible assets consist of the following:

	September 30, 2018	December 31, 2017
Patents and trademarks	\$ 36,072	\$ 34,771
Platform and licenses	3,728,762	2,808,886
Kiosk development	64,802	64,802
Licenses	433,685	393,958
	<u>4,263,321</u>	<u>3,302,417</u>
Less: accumulated amortization	2,277,558	1,662,860
Intangible assets, net	<u>\$ 1,985,763</u>	<u>\$ 1,639,557</u>

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

4. COMMON STOCK

At September 30, 2018, 3PEA'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. As of September 30, 2018, we had outstanding 44,100,765 shares of common stock, and no shares of preferred stock.

2018 Transactions: During the nine months ended September 30, 2018, we issued shares of common stock as follows:

- 200,000 shares were issued as a result of the exercise of a warrant with an exercise price of \$0.50 for a total of \$100,000 in cash proceeds.
- 100,000 shares of common stock were issued for stock-based compensation for a consultant for services earned.
- 130,000 shares of common stock were issued for stock-based compensation for a consultant for services to be rendered.

2017 Transactions: During the nine months ended September 30, 2017, we 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 as a result of the exercise of a warrant with an exercise price of \$0.25 for a total of \$50,000 in cash proceeds.

Stock, Options and Warrant Grants:

On August 7, 2018, we granted an employee of 3PEA options to purchase 500,000 shares common stock exercisable for five years at \$2.63 per share, which vest annually over a five-year period from the date of hire. The options were valued at \$1,315,011 using the Black-Scholes options pricing model under the following assumptions: stock price at issuance of \$3.39 per share; exercise price of \$3.39; 5 year life; discount rate of 2.95%; and volatility rate of 263%. The amount expensed of this grant for the three and nine months ended September 30, 2018 totaled \$34,797 and \$34,797, respectively. As of September 30, 2018 none of the options have vested or been exercised.

On July 18, 2018, we granted stock options for various employees of 3PEA to purchase 750,000 shares of common stock exercisable for five years with an exercise price of \$2.40 per share, which vest annually over a five-year period, as long as they remain employed with 3PEA, beginning July 18, 2018. The options were valued at \$1,397,777 using the Black-Scholes options pricing model under the following assumptions: stock price at issuance of \$2.40 per share; exercise price of \$2.40; 5 year life; discount rate of 2.88%; and volatility rate of 235%. The amount expensed related to this grant for the three and nine months ended September 30, 2018 totaled \$55,911 and \$55,911, respectively. As of September 30, 2018 none of the options have vested or been exercised.

In July 2018, we granted 130,000 shares to a consultant. The shares were valued at \$338,000 or \$2.60 per share. The 130,000 shares will be expensed over the contract period of one year. The value earned for the three and nine months ended September 30, 2018 was \$60,189 and \$60,189, respectively. As of September 30, 2018, the full 130,000 shares have been issued (see Note 4 Common Stock – 2018 Transactions) and the unearned portion totaling \$277,811 has been recorded as contra equity and included in additional paid-in capital.

On May 3, 2018, we appointed Dan R. Henry to our board of directors as an independent director. In connection with his appointment, we issued Mr. Henry options to purchase 1,500,000 shares common stock exercisable over five years with an exercise price of \$1.34 per share, which vest over a four-year period from the date of his appointment. The options were valued at \$1,574,691 using the Black-Scholes options pricing model under the following assumptions: stock price at issuance of \$1.34 per share; exercise price of \$1.34; 5 year life; discount rate of 2.94%; and volatility rate of 238%. The amount expensed related to this grant for the three and nine months ended September 30, 2018 totaled \$98,334 and \$163,907, respectively. As of September 30, 2018 none of the options have vested or been exercised.

On May 3, 2018, we appointed Dennis Triplett to our board of directors as an independent director. In connection with his appointment, we granted Mr. Triplett 200,000 shares of restricted common stock which vest over a four-year period from the date of his appointment. The shares have a fair market value of \$268,000 or \$1.34 per share. The amount vested and expensed of this grant for the three and nine months ended September 30, 2018 totaled \$18,884 and \$30,000, respectively. As of September 30, 2018 none of the shares have been issued.

On April 13, 2018, we appointed Quinn Williams to our board of directors as an independent director. In connection with his appointment, we granted Mr. Williams 200,000 shares of restricted common stock which vest over a four-year period from the date of his appointment. The shares have a fair market value of \$320,000 or \$1.60 per share. The amount vested and expensed of this grant for the three and nine months ended September 30, 2018 totaled \$20,002 and \$37,336, respectively. As of September 30, 2018 none of the shares have been issued.

On March 29, 2018, we appointed Bruce A. Mina to our board of directors as an independent director. In connection with his appointment, we granted Mr. Mina 200,000 shares of restricted common stock which vest over a four-year period from the date of his appointment. The shares have a fair market value of \$234,000 or \$1.17 per share. The amount vested and expensed of this grant for the three and nine months ended September 30, 2018 totaled \$14,625 and \$29,250, respectively. As of September 30, 2018 none of the shares have been issued.

In January 2018, the Company granted 990,000 shares of restricted common stock to certain employees of 3PEA with a fair market value of \$808,450 with a range of \$0.67 to \$0.74 per share. The 990,000 shares have an annual vesting period of five years with the first vesting period occurring on December 31, 2018. The amount vested and expensed of this grant for the three and nine months ended September 30, 2018 totaled \$22,314 and \$100,198, respectively. As of September 30, 2018, none of the shares have been issued.

In January 2018, we granted 300,000 shares of restricted common stock to an employee of 3PEA with a fair market value of \$213,000, or \$0.71 per share. The 300,000 shares have an annual vesting period of three years with the first vesting period occurring on December 31, 2018. The amount vested and expensed of this grant for the three and nine months ended September 30, 2018 totaled \$17,750 and \$53,250, respectively. As of September 30, 2018, none of the shares have been issued.

In July 2017, we granted 200,000 shares of restricted common stock to an officer of 3PEA with a fair market 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. The amount vested and expensed of this grant for the three and nine months ended September 30, 2018 totaled \$21,100 and \$63,300, respectively. None of the shares subject to vesting restrictions have been issued.

In November 2016, we granted a total of 5,000,000 shares to certain officers and directors of 3PEA 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 and expensed for the three and nine months ended September 30, 2018 was \$39,398 and \$118,192 respectively. As of September 30, 2018, none of the shares have been issued.

In November 2016, we 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, 2018 was \$2,758 and \$8,274, respectively. As of September 30, 2018, none of the shares have been issued.

5. SUBSEQUENT EVENTS

There were no reportable subsequent events after September 30, 2018 and up 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 card solutions under our PaySign brand. As we are a payment processor and prepaid card program manager, we derive our revenue from all stages of the prepaid 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 issuing banks.

We are a vertically integrated payment processor and prepaid 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 card solutions under our PaySign brand. As we are a payment processor and prepaid card program manager, we derive our revenue from all stages of the prepaid 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 divide 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.

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 prepaid 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.

We are devoting more extensive resources to sales and marketing activities as we have added essential personnel to our marketing and sales department, specifically in the healthcare and traditional corporate incentive markets. 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, as well as seek acquisition candidates that have long standing reputations and demonstrated growth and profitability. We may consider raising capital in order to accomplish the aforementioned. 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.

Key Performance Indicators and Non-GAAP Measures

Management reviews key performance indicators including revenue, gross profits, growth in card programs and cardholder participation. In addition, we consider certain non-GAAP (or "adjusted") measures to be useful to management and investors evaluating our operating performance for the periods presented, and provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment and investment in new card programs. These adjusted metrics are consistent with how management views our business and are used to make financial, operating and planning decisions. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operating activities as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

"EBITDA" defined as earnings before interest, taxes, depreciation and amortization expense and "Adjusted EBITDA" reflects the adjustment to EBITDA to exclude stock-based compensation.

	Three months ended September 30,	
	2018	2017
Reconciliation of adjusted EBITDA to net income:		
Net income attributable to 3PEA International, Inc.	\$ 800,862	\$ 500,168
Provision for income taxes	–	3,000
Depreciation and amortization	284,124	276,533
EBITDA	1,084,986	779,701
Stock-based compensation	405,921	135,132
Adjusted EBITDA	\$ 1,490,907	\$ 914,833

	Nine months ended September 30,	
	2018	2017
Reconciliation of adjusted EBITDA to net income:		
Net income attributable to 3PEA International, Inc.	\$ 1,945,425	\$ 1,254,004
Provision for income taxes	–	9,000
Interest expense	–	31,623
Depreciation and amortization	779,797	725,401
EBITDA	2,725,222	2,020,028
Stock-based compensation	755,503	238,040
Adjusted EBITDA	\$ 3,480,725	\$ 2,258,068

Results of Operations

Three Months ended September 30, 2018 and 2017

Revenues for the three months ended September 30, 2018 were \$6,421,396, an increase of \$2,491,405 compared to the same period in the prior year, when revenues were \$4,001,991. The increase in revenue is primarily due to an increase in the number of new corporate incentive prepaid card programs and growth within our existing corporate incentive prepaid card products. As of September 30, 2018, we managed 244 card programs with over 2,000,000 participating cardholders.

We expect revenues to continue to trend upwards for the foreseeable future as we continue to grow revenue in our existing card programs and implement new programs within the healthcare payment vertical, as well as the corporate incentive space. We intend to introduce a general spend reloadable prepaid card, initially targeting an existing base of over two million cardholders. As part of our long term growth initiative, we are actively pursuing acquisition candidates in our industry that have reputations for quality service and demonstrated profitability.

Cost of revenues (excluding depreciation and amortization) for the three months ended September 30, 2018 were \$3,376,753, an increase of \$1,231,132 compared to the same period in the prior year, when cost of revenues (excluding depreciation and amortization) were \$2,145,621. Cost of revenues (excluding depreciation and amortization) constituted approximately 53% and 54% of total revenues during the third quarter of 2018 and 2017, respectively, which was consistent with our expectations. Cost of revenues (excluding depreciation and amortization) 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, 2018 was \$3,044,643, an increase of \$1,188,273 compared to the same period in the prior year, when gross profit was \$1,856,370. Our overall gross profit percentage of 47% and 46% during the third quarters of 2018 and 2017 which was consistent with our overall expectations.

Depreciation and amortization for the three months ended September 30, 2018 was \$284,124, an increase of \$7,591 compared to the same period prior year of \$276,533.

Selling, general and administrative expenses for the three months ended September 30, 2018 were \$1,996,957, an increase of \$892,677 compared to the same period in the prior year, when selling, general and administrative expenses were \$1,104,280. The increase in selling, general and administrative expenses was due to increased staffing necessary to support the growth of our business which includes additional expenses related to the expansion of our sales and marketing departments.

In the three months ended September 30, 2018, we recorded operating income of \$763,562, as compared to \$475,557 in the same period in the prior year, representing an increase in operating income of \$288,005.

Other income for the three months ended September 30, 2018 was \$36,683, an increase in net other income of \$22,285 compared to the same period in the prior year when other income was \$14,398 which is due to increased interest income and is within our overall expectations.

Net income before noncontrolling interest for the three months ended September 30, 2018 was \$800,245, an increase of \$313,290 compared to the same period in the prior year of \$486,955. The increase in our net income before noncontrolling interest is attributable to the aforementioned factors.

Net loss attributable to the noncontrolling interest for the three months ended September 30, 2018 was \$617, a decrease of \$12,596 compared to the same period in the prior year of \$13,213.

Net income attributable to 3PEA International, Inc. for the three months ended September 30, 2018 was \$800,862, an increase of \$300,694 compared to the same period in the prior year, when we recorded net income of \$500,168. The increase in our net income is attributable to the aforementioned factors.

Nine Months ended September 30, 2018 and 2017

Revenues for the nine months ended September 30, 2018 were \$16,558,438, an increase of \$5,937,383 compared to the same period in the prior year, when revenues were \$10,621,055. The increase in revenue is primarily due to an increase in the number of new corporate incentive prepaid card products as well as growth within our existing corporate incentive prepaid card products.

Cost of revenues (excluding depreciation and amortization) for the nine months ended September 30, 2018 were \$8,650,839, an increase of \$2,816,130 compared to the same period in the prior year, when cost of revenues (excluding depreciation and amortization) were \$5,834,709. Cost of revenues (excluding depreciation and amortization) constituted 52% and 55% of total revenues in 2018 and 2017, respectively, which was consistent with our expectations. Cost of revenues (excluding depreciation and amortization) 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, 2018 was \$7,907,599, an increase of \$3,121,253 compared to the same period in the prior year, when gross profit was \$4,786,346. Our overall gross profit percentage of 48% and 45% during the first nine months of 2018 and 2017 which was consistent with our overall expectations.

Depreciation and amortization for the nine months ended September 30, 2018 were \$779,797, an increase of \$54,396 compared to the same period prior year of \$725,401. 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, 2018 were \$5,244,684, an increase of \$2,396,729 compared to the same period in the prior year, when selling, general and administrative expenses were \$2,847,955. The increase in selling, general and administrative expenses was due to increased staffing necessary to support the growth of our business as well as additional expenses related to the expansion of our sales and marketing departments.

In the nine months ended September 30, 2018, we recorded operating income of \$1,883,118, as compared to \$1,212,990 in the same period in the prior year, an increase in operating income of \$670,128.

Other income (expense) for the nine months ended September 30, 2018 was \$62,298, an increase in net other income (expense) of \$53,526 compared to the same period in the prior year when other income (expense) was \$8,772 which is due to increased interest income and is within our overall expectations.

Net income before noncontrolling interest for the nine months ended September 30, 2018 was \$1,942,291, an increase of \$729,529 compared to the same period in the prior year of \$1,212,762. The increase in our net income before noncontrolling interest is attributable to the aforementioned factors.

Net loss attributable to the noncontrolling interest for the nine months ended September 30, 2018 was \$3,134, a decrease of \$38,108 compared to the same period in the prior year of \$41,242. 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, 2018 was \$1,945,425, an increase of \$691,421 compared to the same period in the prior year, when we recorded net income of \$1,254,004. 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, 2018 and 2017:

	Nine months ended September 30,	
	2018	2017
Net cash provided by operating activities	\$ 8,649,817	\$ 4,133,672
Net cash used in investing activities	(1,178,635)	(1,250,795)
Net cash provided by (used in) financing activities	100,000	(102,060)
Net increase in cash and restricted cash	<u>\$ 7,571,182</u>	<u>\$ 2,780,817</u>

Comparison of nine months ended September 30, 2018 and 2017

During the nine months ended September 30, 2018 and 2017, we financed our operations entirely through revenues generated from operations.

Operating activities provided \$8,649,817 of cash in the nine months ended September 30, 2018, as compared to \$4,133,672 of cash provided by the same period in the prior year. Excluding the change in customer card funding, net cash provided by operating activities was \$2,629,892 in the nine months ended September 30, 2018, as compared to net cash provided by \$1,637,648 in the same period in the prior year. In 2018 and 2017, \$6,019,925 and \$2,496,024, respectively, of cash was provided by change in customer card funding, which affected our restricted cash for the same amount in both years. Major non-cash items that affected our cash flow from operations in the nine months ended September 30, 2018 were non-cash charges of \$779,797 for depreciation and amortization, as well as stock-based compensation of \$755,503. Our operating assets and liabilities, excluding customer card funding, used \$(847,699) of cash, most of which resulted from an increase in accounts payable and accrued liabilities of \$(92,645), decrease in accounts receivable of \$(225,436), and decrease in prepaid expenses and other assets of \$(530,618). 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, as well as stock-based compensation of \$238,040. Our operating assets and liabilities in the nine months ended September 30, 2017, excluding customer card funding, used \$(538,555) of cash, most of which resulted from a decrease in legal settlements payable of \$(254,900), and decrease in prepaid expenses of \$(251,261), and increase in accounts payable of \$40,858.

Investing activities used \$(1,178,635) of cash in the nine months ended September 30, 2018, as compared to \$(1,250,795) of cash used in the same period in 2017. In both periods, investing activities consisted of capital expenditures to improve and enhance the processing platform used in our business.

Financing activities provided \$100,000 of cash in the nine months ended September 30, 2018 as compared to \$(102,060) of cash used in the nine months ended September 30, 2017. In 2018, financing activities consisted of \$100,000 in cash provided from an exercise of a stock warrant. 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.

Sources of Financing

We believe that our available cash on hand, excluding restricted cash, at September 30, 2018 of \$4,299,570 and revenues anticipated for the remainder of 2018 will be sufficient to sustain our operations for the next twelve months. However, as noted above, we are pursuing possible acquisitions of complementary businesses. If we identify suitable acquisition candidate(s), we may be required to raise capital through a debt or equity offering to finance the acquisition(s). There is no assurance that we will be able to negotiate an acquisition on favorable terms, or that we will be able to arrange financing for an acquisition on attractive terms.

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 we are 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, 2018. 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, 2018 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, 2018, we issued the following shares of common stock in unregistered transactions:

In August 2018, 100,000 shares of common stock were issued for stock-based compensation to a consultant for services performed in prior periods.

In August 2018, 130,000 shares of common stock were issued for stock-based compensation to a consultant for services to be rendered.

In September 2018, 200,000 shares of common stock were issued related to an exercise of a stock warrant granted in 2016 for cash proceeds totaling \$100,000.

These shares were issued pursuant to an exemption from registration provided by Section 4(a)(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, 2018

/s/ Mark Newcomer

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

Date: November 13, 2018

/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, 2018 (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, 2018

/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, 2018 (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, 2018

/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, 2018 (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, 2018

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, 2018 (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, 2018