

Net Element, Inc.
Form 10-Q
November 15, 2010

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 000-51108

Net Element, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-0715816
(IRS Employer Identification No.)

1450 S. Miami Avenue
Miami, FL 33130
(Address of principal executive offices)

(305) 358-7877
(Registrant's telephone number, including area code)

TOT Energy, Inc.

12100 NE 16th Avenue
Suite 210
North Miami, FL 33161
(Former name, former address and former fiscal year, if changed since last report)

(Registrant's telephone number, including area code)

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

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(§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). Yes (not required) x No "

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

Large accelerated filer "

Accelerated filer "

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

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

The number of outstanding shares of common stock, \$.001 par value, of the registrant as of November 12, 2010 was 333,056,277.

Defined Terms

Net Element, Inc. (formerly TOT Energy, Inc.) is a corporation organized under the laws of the State of Delaware. As used in this Quarterly Report on Form 10-Q (this "Report"), unless the context otherwise requires, the terms "Net Element," "Company," "we," "us," "our" and "group" refer to Net Element, Inc. and, as applicable, its majority-owned and consolidated subsidiaries.

Forward-Looking Statements

This Report contains forward-looking statements that reflect the current views of our management with respect to future events. Forward-looking statements generally are identified by the words "expects," "anticipates," "believes," "intends," "estimates," "aims," "plans," "will," "will continue," "seeks" and similar expressions. Forward-looking statements are based on current plans, estimates and projections, and therefore you should not place too much reliance on them.

Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement in light of new information or future events, although we intend to continue to meet our ongoing disclosure obligations under the U.S. securities laws and under other applicable laws. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. These factors include, among other factors: the development or acquisition of an operating business, attracting and retaining competent management and other personnel, successful implementation of our business strategy, and successful integration and promotion of any business developed or acquired. If these or other risks and uncertainties (including those described in our most recent Annual Report on Form 10-K for the fiscal year ended March 31, 2010 filed with the U.S. Securities and Exchange Commission) materialize, or if the assumptions underlying any of these statements prove incorrect, our actual results may be materially different from those expressed or implied by such statements.

World Wide Web addresses contained in this registration statement are for explanatory purposes only and they (and the content contained therein) do not form a part of and are not incorporated by reference into this registration statement.

Net Element, Inc.
Form 10-Q
For the Quarter Ended September 30, 2010
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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

NET ELEMENT, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2010	March 31, 2010
ASSETS		
Current assets		
Cash	\$ 98,364	\$ 277,830
Deposits	8,000	8,000
Prepaid expenses and other assets	-	20,152
Total current assets	106,364	305,982
Fixed assets		
Machinery and equipment	12,319	12,319
Less: accumulated depreciation	(6,040)	(5,530)
Total fixed assets (net)	6,279	6,789
Total assets	\$ 112,643	\$ 312,771
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 26,867	\$ 23,702
Accrued expenses	1,170,879	920,559
Total current liabilities	1,197,746	944,261
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Preferred stock (\$.001 par value, 100,000,000 shares authorized and no shares issued and outstanding)	-	-
Common stock (\$.001 par value, 800,000,000 shares authorized and 333,056,277 and 320,778,512 shares issued and outstanding)	333,055	320,778
Treasury stock, at cost; 6,250,000 and 3,250,000 shares	(2,641,640)	(2,341,640)
Paid in capital	26,098,149	24,671,186
Accumulated other comprehensive income	13,930	9,972
Accumulated deficit	(24,916,539)	(23,319,787)
Noncontrolling interest	27,942	28,001
Total stockholders' deficit	(1,085,103)	(631,490)
Total liabilities and stockholders' deficit	\$ 112,643	\$ 312,771

See accompanying notes.

NET ELEMENT, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Six Months Ended September 30, 2010	Six Months Ended September 30, 2009
Sales	\$			