Cazador Acquisition Corp Ltd.
Form S-4
June 12, 2012

As filed with the Securities and Exchange Commission on June 12, 2012

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

CAZADOR ACQUISITION CORPORATION LTD.

(Exact name of registrant as specified in its charter)

Cayman Islands*	6770	98-0668024
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

BBVA Building, P1

254 Muñoz Rivera Avenue

San Juan, Puerto Rico 00918

Tel: 787 993 9650

(Address, including zip code, and telephone number, including

area code, of registrant's principal executive offices)

Francesco Piovanetti

Chairman of the Board and Chief Executive Officer

Cazador Acquisition Corporation Ltd.

BBVA Building, P1

254 Muñoz Rivera Avenue

San Juan, Puerto Rico 00918

Tel: 787 993 9650

(Name, address, including zip code, and telephone number, including

area code, of agent for service)

With copies to:

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Approximate date of commencement of proposed sale of securities to the public: As soon as practicable after this Registration Statement is declared effective and all other conditions to the business combination described in the enclosed Proxy Statement/Prospectus, have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered		Proposed maximum offering price per share		Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, par value $0.0001 per share[1]	24,481,092	(2)	$ 9.875	(3)	$ 241,750,783.50	$ 27,704.64
Common Stock [4]	5,750,000		$ 9.875	(3)	$ 56,781,250.00	$ 6,507.13
Warrants to Purchase Common Stock[5]	N/A		N/A		N/A	N/A
Common Stock underlying Warrants[6]	4,600,000		$ 9.875	(3)	$ 45,425,000.00	$ 5,205.71
Total	34,831,092				$ 343,957,033.50	$ 39,417.48

(1) The number of shares of common stock of Net Element International, Inc. being registered represents the estimated maximum number of shares of Net Element International’s common stock to be issued in connection with the proposed business combination described herein.

(2) Calculated as the product obtained by multiplying (a) the shares of common stock, par value $0.001 per share, of Net Element, Inc. estimated to be issued and outstanding (on a fully diluted basis) immediately prior to the consummation of the merger by (b) the Exchange Ratio of 0.025 set forth in the merger agreement (as hereinafter defined). This amount also includes shares of common stock of Net Element International that may, under certain circumstances, be issued to the extent a holder of common stock of Net Element, Inc. would receive fewer than 100 shares of common stock of Net Element International as a result of the Exchange Ratio.

(3) Estimated solely for the purpose of calculating the registration fee, based on the average of the high and low prices of the ordinary shares of Cazador Acquisition Corporation Ltd. on The NASDAQ Capital Market on June 5, 2012 ($9.875 per share), in accordance with Rule 457(f)(1).

(4) The number of shares of common stock of Net Element International being registered includes all ordinary shares of Cazador Acquisition Corporation Ltd. that are issued and outstanding upon Cazador domestication (as hereinafter defined), which shares will automatically be converted by operation of law into shares of common stock of Net Element International in the Cazador domestication.

(5) Upon effectiveness of the Cazador domestication, all outstanding warrants to acquire ordinary shares of Cazador Acquisition Corporation Ltd. will become warrants to acquire the same number of shares of Net Element International at the same price and for on same terms. No registration fee is required pursuant to Rule 457(g) under the Securities Act.

(6) Pursuant to Rule 416, there is also being registered such indeterminable number of additional shares of common stock of Net Element International as may be issued to prevent dilution resulting from share dividends, split-up, reverse split-up or similar event.

* Prior the effectiveness of the business combination described herein, the Registrant intends to effect a domestication under Section 388 of the General Corporation Law of the State of Delaware and a migration under Cayman Islands law, pursuant to which the Registrant's jurisdiction of incorporation will be changed from the Cayman Islands to the State of Delaware. In connection with the domestication and the merger, the Registrant intends to change its legal corporate name to "Net Element International, Inc."

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

PRELIMINARY — SUBJECT TO COMPLETION — DATED JUNE 12, 2012

The information in this preliminary joint proxy statement/prospectus is not complete and may be changed. The registrant may not sell the securities described herein until the registration statement filed with the Securities and Exchange Commission is declared effective. This joint proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

CAZADOR ACQUISITION CORPORATION LTD.	NET ELEMENT, INC.

To the Shareholders of Cazador Acquisition Corporation Ltd. and Net Element, Inc.:

Each of the respective boards of directors of Cazador Acquisition Corporation Ltd., or Cazador, and Net Element, Inc., or Net Element, have approved an agreement and plan of merger by and between Cazador and Net Element, or the merger agreement, pursuant to which Net Element will merge with and into Cazador, with Cazador as the surviving entity. The foregoing transaction is referred to in this joint proxy statement/prospectus as the merger.

As a condition to closing the merger pursuant to the terms of the merger agreement, the board of directors of Cazador has unanimously approved a change of Cazador's jurisdiction of incorporation by discontinuing as an exempted company in the Cayman Islands and continuing and domesticating as a corporation incorporated under the laws of the State of Delaware, which we refer to as the Cazador domestication. To effect the Cazador domestication, Cazador will file a notice of de-registration with the Cayman Islands Registrar of Companies, together with the necessary accompanying documents, and file a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, under which Cazador will be domesticated and continue as a Delaware corporation, at which time Cazador will change its name, in connection with the effectiveness of the merger, to "Net Element International, Inc." We refer to Cazador following effectiveness of the Cazador domestication as "NEI." On the effective date of the Cazador domestication, each currently issued and outstanding ordinary share, par value $0.0001 per share, of Cazador Cayman, or Cazador Ordinary Shares, will automatically convert by operation of law, on a one-for-one basis, into shares of common stock, par value $0.0001 per share, of NEI, or NEI Common Stock. Similarly, outstanding options, warrants and other rights to acquire Cazador Ordinary Shares will become options, warrants or rights to acquire the corresponding shares of NEI Common Stock. No other changes will be made to the terms of any outstanding options, warrants and other rights to acquire Cazador Ordinary Shares as a result of the Cazador domestication.

The Cazador domestication, together with the merger, is referred to as the business combination. Unless the context otherwise requires, in this joint proxy statement/prospectus, the term “Cazador” refers to Cazador Acquisition Corporation Ltd. as it currently exists under Cayman Islands law and as it will continue to exist under the Delaware General Corporation Law, or the DGCL, following the Cazador domestication. The term “Cazador Cayman” refers to Cazador prior to the Cazador domestication.

Prior to the effective time of the merger, each holder of outstanding securities of Net Element that are convertible into or exchangeable or exercisable for shares of common stock, par value $0.001 per share, of Net Element, or the Net Element Common Stock, will enter into conversion agreements, pursuant to which all such outstanding securities of Net Element will be either terminated or converted into or exchanged or exercised for shares of Net Element Common Stock (in the case of outstanding Net Element stock options and warrants that are exercised, on a cashless basis); provided that certain option holders that received their options in lieu of compensation will have the ability to elect to terminate their options in exchange for cash in the amount of such compensation.

Pursuant to the terms of the merger agreement, upon completion of the merger, each share of then-issued and outstanding Net Element Common Stock (other than shares held by Net Element as treasury stock or by any of its direct or indirect wholly-owned subsidiaries, which will be cancelled upon the effectiveness of the merger, and shares with respect to which appraisal rights, to the extent available under the DGCL, are properly exercised and not withdrawn) will be automatically cancelled and converted into the right to receive the number of shares of NEI Common Stock equal to the Exchange Ratio. The Exchange Ratio initially is 0.025 shares of NEI Common Stock per share of Net Element Common Stock, which reflects a 147% premium over the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system of $0.10 per share on June 11, 2012. The Exchange Ratio is subject to adjustment to reflect appropriately the effect of any stock split, reverse stock split, stock dividend, extraordinary cash dividends, reorganization, recapitalization, reclassification, combination, exchange of shares or other like change. Notwithstanding the foregoing, to the extent a holder of Net Element Common Stock would receive fewer than 100 shares of NEI Common Stock as a result of the Exchange Ratio, Cazador shall have the right, exercisable in Cazador's sole and absolute discretion, to issue to any such holder an additional number of shares of NEI Common Stock so that such holder receives, in the aggregate, 100 shares of NEI Common Stock in connection with the merger. In addition, no fractional shares of NEI Common Stock will be issued in connection with the merger. Instead, Cazador will issue one share of NEI Common Stock to each holder that would otherwise be entitled to a fraction of a share of NEI Common Stock.

Immediately following the completion of the business combination (without taking into account any shares of NEI Common Stock held by Net Element shareholders prior to the completion of the business combination), the former shareholders of Net Element are expected to own approximately 80.9% of the outstanding NEI Common Stock (or 65.6% of the outstanding NEI Common Stock calculated on a fully diluted basis) and the current holders of Cazador Ordinary Shares are expected to own approximately 19.1% of the outstanding NEI Common Stock (or 34.4% of the outstanding NEI Common Stock calculated on a fully diluted basis).

The Cazador Ordinary Shares are listed on The NASDAQ Capital Market and trade under the symbol "CAZA." On , 2012, the latest practicable date before the printing of this proxy statement/prospectus, the last reported sale price of the Cazador Ordinary Shares on The NASDAQ Capital Market was $ per share. Cazador intends to apply to list the NEI Common Stock on The NASDAQ Capital Market under the symbol "NETE." There can be no assurance that the NEI Common Stock will be listed on The NASDAQ Capital Market.

The Net Element Common Stock is quoted on the OTCQB electronic quotation system under the symbol “NETE.” On , 2012, the latest practicable date before the printing of this proxy statement/prospectus, the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system was $ per share.

Completion of the merger requires, among other things, that the holders of (i) a majority of the outstanding Cazador Ordinary Shares issued in Cazador’s initial public offering and not held by Cazador’s Sponsor, or the Public Cazador Ordinary Shares, and (ii) a majority of the outstanding shares of Net Element Common Stock vote in favor of the approval and adoption of the merger agreement. Completion of the Cazador domestication, which is a condition to close the merger, requires that the holders of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at a general meeting in favor of the approval of the Cazador domestication. To obtain these required approvals, Cazador will hold a special meeting of Cazador shareholders on , 2012 and Net Element will hold a special meeting of Net Element shareholders on , 2012.

Cazador Sub Holdings Ltd, including all of Cazador’s directors and executive officers (which we refer to, collectively, as the Sponsor), has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the business combination.

Mike Zoi, Net Element’s Chairman and Chief Executive Officer, owns, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of June 11, 2012 (67.2% assuming the exercise of options and warrants Mr. Zoi owns which are currently exercisable), and therefore holds enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder. Mr. Zoi intends to vote his shares “FOR” the approval and adoption of the merger agreement.

Cazador is offering each holder of Public Cazador Ordinary Shares the right to have such holder’s shares redeemed into cash if such holder either (i) votes against the business combination and timely exercises such redemption right or (ii) votes in favor of the business combination but elects to exercise such shareholder’s right to redeem. Cazador’s Sponsor and its beneficial owners will not have shareholder redemption rights with respect to any Cazador Ordinary Shares owned by them, directly or indirectly, including Cazador Ordinary Shares purchased by them in Cazador’s initial public offering or in the secondary market. The actual per-share redemption price will be equal to the aggregate amount then in the trust account, and including accrued interest, net of any interest income on the trust account balance required for Cazador to pay its tax obligations incurred and net of interest income of up to $2.0 million previously released to Cazador to fund its working capital requirements (calculated as of two business days prior to the consummation of the business combination), divided by the number of Public Cazador Ordinary Shares. As of June 11, 2012, the per-share redemption price would be approximately $10.036. There will be no redemption rights upon the consummation of the business combination with respect to outstanding Cazador warrants.

Each holder of Public Cazador Ordinary Shares may elect to redeem his, her or its Public Cazador Ordinary Shares irrespective of whether he, she or it votes for or against the business combination. Cazador will not complete the business combination if holders of Public Cazador Ordinary Shares, owning, in the aggregate, more than 49.9% of the Public Cazador Ordinary Shares, both vote against and exercise their shareholder redemption rights with respect to the business combination. Additionally, as per the terms of the merger agreement, the merger will not be consummated unless Cazador has at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt). Holders of Public Cazador Ordinary Shares will be able to redeem their shares up to the business day immediately prior to the vote on the proposals to approve the business combination.

As set forth in Cazador's Second Amended and Restated Memorandum and Articles of Association, or the Cazador Cayman Charter, a holder of Public Cazador Ordinary Shares, together with any affiliate of his or any other person with whom he is acting in concert or as a partnership, syndicate or other group for the purpose of acquiring, holding or disposing of Cazador Cayman's securities, will be prohibited from exercising shareholder redemption rights with respect to more than 10% of the Public Cazador Ordinary Shares.

Cazador may enter into privately negotiated transactions to purchase shares of NEI Common Stock from its public shareholders using proceeds released from the trust account immediately following consummation of the transactions contemplated by the merger agreement.

CAZADOR'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PROPOSAL TO APPROVE AND ADOPT THE MERGER AGREEMENT.

CAZADOR'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PROPOSAL TO APPROVE THE CAZADOR DOMESTICATION.

NET ELEMENT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PROPOSAL TO APPROVE AND ADOPT THE MERGER AGREEMENT.

Information about the special meetings, the transactions contemplated by the merger agreement and the other business to be considered by Cazador shareholders and Net Element shareholders is contained in this document and the documents incorporated by reference, which we urge you to read carefully. **In particular, see "Risk Factors" beginning on page 38**.

Your vote is very important. Whether or not you plan to attend the special meeting of Cazador shareholders or the special meeting of Net Element shareholders, as applicable, please submit a proxy to vote your shares as soon as possible to make sure your shares are represented at the applicable special meeting. Your failure to vote will have the same effect as voting against the various proposals.

Sincerely,	Sincerely,
/s/ Francesco Piovanetti	/s/ Mike Zoi
Francesco Piovanetti	Mike Zoi
Chairman of the Board, Chief Executive Officer, President and Chief Financial Officer	Chief Executive Officer
Cazador Acquisition Corporation Ltd.	Net Element, Inc.

Neither the Securities Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The accompanying joint proxy statement/prospectus is dated , 2012 and is first being mailed or otherwise delivered to Cazador shareholders and Net Element shareholders on or about , 2012.

Cazador Acquisition Corporation Ltd.
BBVA Building, P1

254 Muñoz Rivera Avenue

San Juan, Puerto Rico 00918

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
to be held on , 2012

To Our Shareholders:

A special meeting of shareholders of Cazador Acquisition Corporation Ltd. (“Cazador”) will be held at on , 2012, at a.m., Eastern time (the “Cazador special meeting”). The purposes of the Cazador special meeting are to vote on the following matters and to transact such other business that may properly come before the Cazador special meeting:

1. Approve and adopt the Agreement and Plan of Merger, dated as of June 12, 2012, between Cazador and Net Element, Inc. (“Net Element”), as it may be amended (the “merger agreement”), a copy of which is attached to the accompanying joint proxy statement/prospectus as Annex A. The board of directors of Cazador (the “Cazador board”) recommends a vote “FOR” this proposal.

2. Approve the change of Cazador’s jurisdiction of incorporation by discontinuing as an exempted company in the Cayman Islands and continuing and domesticating as a corporation incorporated under the laws of the State of Delaware (the “Cazador domestication” and with the merger contemplated by the merger agreement, the “business combination”). The Cazador board recommends a vote “FOR” this proposal.

3. Approve one or more adjournments of the Cazador special meeting (including, if necessary, to solicit additional proxies because there are not sufficient votes to approve and adopt the merger agreement and/or approve the Cazador domestication). The Cazador board recommends a vote “FOR” this proposal.

4. Transact any other business that may properly come before the Cazador special meeting.

The Cazador board has fixed , 2012 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Cazador special meeting or one or more adjournments thereof. Only holders of record of ordinary shares, par value $0.0001 per share, of Cazador ("Cazador Ordinary Shares") at the close of business on , 2012 are entitled to notice of, and to vote at, the Cazador special meeting or one or more adjournments or postponements thereof.

Cazador is offering each holder of Public Cazador Ordinary Shares the right to have such holder's shares redeemed into cash if such holder either (i) votes against the business combination and timely exercises such redemption right or (ii) votes in favor of the business combination but elects to exercise such shareholder's right to redeem. CAZADOR SUB HOLDINGS LTD. ("Cazador's Sponsor") and its beneficial owners will not have shareholder redemption rights with respect to any Cazador Ordinary Shares owned by them, directly or indirectly, including Cazador Ordinary Shares purchased by them in Cazador's initial public offering or in the secondary market. The actual per-share redemption price will be equal to the aggregate amount then in the trust account, and including accrued interest, net of any interest income on the trust account balance required for Cazador to pay its tax obligations incurred and net of interest income of up to $2.0 million previously released to Cazador to fund its working capital requirements (calculated as of two business days prior to the consummation of the business combination), divided by the number of Public Cazador Ordinary Shares. As of JUNE 11, 2012, the per-share redemption price would be approximately $10.036. There will be no redemption rights upon the consummation of the merger agreement with respect to outstanding Cazador warrants.

Cazador and Net Element will consummate the merger contemplated by the merger agreement only if, among other conditions, the holders of (i) a majority of the outstanding Cazador Ordinary Shares issued in Cazador's initial public offering and not held by Cazador's Sponsor ("Public Cazador Ordinary Shares") and (ii) a majority of the outstanding shares of common stock, par value $0.001 per share of Net Element ("Net Element Common Stock") vote in favor of the approval and adoption of the merger agreement. Cazador will effect the Cazador domestication (as described in the accompanying joint proxy statement/prospectus), which is a condition to close the merger, only if the holders of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at the Cazador special meeting in favor of the approval of the Cazador domestication.

Cazador's Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the business combination.

Mike Zoi, Net Element's Chairman and Chief Executive Officer, owns, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of June 11, 2012 (67.2% assuming the exercise of options and warrants Mr. Zoi owns which are currently exercisable), and therefore holds enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder. Mr. Zoi intends to vote his shares "FOR" the approval and adoption of the merger agreement.

Each holder of Public Cazador Ordinary Shares may elect to redeem his, her or its Public Cazador Ordinary Shares irrespective of whether he, she or it votes for or against the business combination. Cazador will not complete the business combination if holders of Public Cazador Ordinary Shares, owning, in the aggregate, more than 49.9% of the Public Cazador Ordinary Shares, both vote against and exercise their shareholder redemption rights with respect to the business combination. Additionally, as per the terms of the merger agreement, the merger will not be consummated unless Cazador has at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt). Holders of Public Cazador Ordinary Shares will be able to redeem their shares up to the business day immediately prior to the vote on the proposals to approve the business combination.

As set forth in Cazador's Second Amended and Restated Memorandum and Articles of Association, a holder of Public Cazador Ordinary Shares, together with any affiliate of his or any other person with whom he is acting in concert or as a partnership, syndicate or other group for the purpose of acquiring, holding or disposing of Cazador Cayman's securities, will be prohibited from exercising shareholder redemption rights with respect to more than 10% of the Public Cazador Ordinary Shares.

Cazador may enter into privately negotiated transactions to purchase shares from its public shareholders using proceeds released from the trust account immediately following consummation of the transactions contemplated by the merger agreement.

For more information about the proposals and the Cazador special meeting, please review carefully the accompanying joint proxy statement/prospectus.

Your vote is important. Whether or not you expect to attend the Cazador special meeting in person, please submit a proxy by telephone or over the internet as instructed in these materials, or complete, date, sign and return the enclosed proxy card, as promptly as possible in order to ensure that we receive your proxy with respect to your Cazador Ordinary Shares. Instructions are shown on the enclosed proxy card and a return envelope (postage pre-paid if mailed in the United States) is enclosed for your convenience. If your Cazador Ordinary Shares are held in a stock brokerage account or by a bank or other nominee, please follow the instructions that you receive from your broker, bank or other nominee to vote your shares.

If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the approval and adoption of the merger agreement, in favor of the Cazador domestication and in favor of the proposal to adjourn the meeting if necessary to solicit additional proxies. If you fail to return your proxy card or fail to submit your proxy by telephone or over the internet, or fail to instruct your broker how to vote, and do not attend the Cazador special meeting in person, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the Cazador special meeting and, if a quorum is present, will have the same effect as a vote against the approval and adoption of the merger agreement. If you are a shareholder of record and you attend the Cazador special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

By Order of the Board of Directors,

Secretary

San Juan, Puerto Rico
, 2012

NET ELEMENT, INC.
1450 S. Miami Avenue

Miami, Florida 33130

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
to be held on , 2012

To Our Shareholders:

A special meeting of shareholders of Net Element, Inc. ("Net Element") will be held at on , 2012, at a.m., Eastern time (the "Net Element special meeting"). The purposes of the Net Element special meeting are to vote on the following matters and to transact such other business that may properly come before the Net Element special meeting:

1. Approve and adopt the Agreement and Plan of Merger, dated as of June 12, 2012, between Cazador Acquisition Corporation Ltd. and Net Element, as it may be amended (the "merger agreement"), a copy of which is attached to the accompanying joint proxy statement/prospectus as Annex A. The board of directors of Net Element (the "Net Element board") recommends a vote "FOR" this proposal.

2. Approve one or more adjournments of the Net Element special meeting. The Net Element board recommends a vote "FOR" this proposal.

3. Transact such other business that may properly come before the Net Element special meeting.

The Net Element board has fixed , 2012 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Net Element special meeting or one or more adjournments thereof. Only holders of record of ordinary shares, par value $0.0001 per share, of Net Element ("Net Element Common Stock") at the close of business on , 2012 are entitled to notice of, and to vote at, the Net Element special meeting or one or more adjournments or postponements thereof.

Cazador and Net Element will consummate the merger contemplated by the merger agreement only if, among other conditions, the holders of (i) a majority of the outstanding ordinary shares, par value $0.0001 per share, of Cazador ("Cazador Ordinary Shares") issued in Cazador's initial public offering and not held by Cazador Sub Holdings Ltd. ("Cazador's Sponsor") ("Public Cazador Ordinary Shares") and (ii) a majority of the outstanding shares of Net Element Common Stock vote in favor of the approval and adoption of the merger agreement. Cazador will effect the Cazador domestication (as described in the accompanying joint proxy statement/prospectus), which is a condition to close the merger, only if the holders of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at the Cazador special meeting in favor of the approval of the Cazador domestication.

Cazador's Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the business combination.

Mike Zoi, Net Element's Chairman and Chief Executive Officer, owns, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of June 11, 2012 (67.2% assuming the exercise of options and warrants Mr. Zoi owns which are currently exercisable), and therefore holds enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder. Mr. Zoi intends to vote his shares "FOR" the approval and adoption of the merger agreement.

For more information about the proposals and the Net Element special meeting, please review carefully the accompanying joint proxy statement/prospectus.

Your vote is important. Whether or not you expect to attend the Net Element special meeting in person, please submit a proxy by telephone or over the internet as instructed in these materials, or complete, date, sign and return the enclosed proxy card, as promptly as possible in order to ensure that we receive your proxy with respect to your shares of Net Element Common Stock. Instructions are shown on the enclosed proxy card and a return envelope (postage pre-paid if mailed in the United States) is enclosed for your convenience. If your shares of Net Element Common Stock are held in a stock brokerage account or by a bank or other nominee, please follow the instructions that you receive from your broker, bank or other nominee to vote your shares.

If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the approval and adoption of the merger agreement and in favor of the proposal to adjourn the meeting if necessary to solicit additional proxies. If you fail to return your proxy card or fail to submit your proxy by telephone or over the internet, or fail to instruct your broker how to vote, and do not attend the Net Element special meeting in person, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the Net Element special meeting and, if a quorum is present, will have the same effect as a vote against the approval and adoption of the merger agreement. If you are a shareholder of record and you attend the Net Element special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

Please do not send documents or certificates representing your ownership of Net Element Common Stock at this time. If the transactions contemplated by the merger agreement are consummated, we will notify you of the procedures for exchanging your shares of Net Element Common Stock.

By Order of the Board of Directors,

Secretary

Miami, Florida
, 2012

REFERENCES TO ADDITIONAL INFORMATION

The accompanying joint proxy statement/prospectus incorporates important business and financial information about Cazador and Net Element from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available for you to review at the Securities and Exchange Commission's, or SEC's, public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC's website, www.sec.gov. You can also obtain those documents incorporated by reference in this joint proxy statement/prospectus by requesting them in writing, by telephone or by email from the appropriate company at the following addresses, telephone numbers and email addresses:

CAZADOR ACQUISITION CORPORATION LTD. BBVA Building, P1 254 Muñoz Rivera Avenue San Juan, Puerto Rico 00918 (787) 993-9650 Attention: Jorge De Jesus Email: jdj@cazador1.com	NET ELEMENT, INC. 1450 S. Miami Avenue Miami, Florida 33130 (305) 507-8808 Attention: Jonathan New Email: jn@netelement.com

In addition, if you have questions about the transactions described herein or the special meetings, or if you need to obtain copies of the accompanying joint proxy statement/prospectus, proxy cards, election forms or other documents incorporated by reference in the joint proxy statement/prospectus, you may contact the appropriate contact listed above. You will not be charged for any of the documents you request.

If you would like to request documents, please do so by , 2012, in order to receive them before the applicable special meeting.

For a more detailed description of the information incorporated by reference in the accompanying joint proxy statement/prospectus and how you may obtain it, see "Where You Can Find More Information" beginning on page 241 of the accompanying joint proxy statement/prospectus.

FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus and the documents that are incorporated into this joint proxy statement/prospectus by reference may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as “may,” “will,” “could,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “continue,” “p “plan,” “forecast” and other similar words. These include, but are not limited to, statements relating to the synergies and the benefits that we expect to achieve in the transactions discussed herein, including future financial and operating results, the combined company’s plans, objectives, expectations and intentions and other statements that are not historical facts. Those statements represent the intentions, plans, expectations, assumptions and beliefs of Cazador and Net Element about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside the control of Cazador and Net Element, and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In addition to the risk factors described under “Risk Factors” beginning on page 38, those factors include:

- possible delays in closing the business combination whether due to the inability to obtain shareholder or regulatory approval, Cazador’s not having at least $23.5 million of cash upon consummation of the merger held in the trust account, or otherwise ;
- the ability to integrate Cazador’s or Net Element’s businesses and operations;
- the benefits of and the acquisition of Cazador and Net Element, including the prospects of the combined businesses, anticipated synergies and cost savings;
- anticipated growth and growth strategies;
- the need for additional capital and the availability of financing;
- the combined company’s ability to successfully manage relationships with customers, distributors and other important relationships;
- the combined company’s ability to integrate the management team and employees;
- the loss of key personnel or expenditure of a greater amount of resources attracting, retaining and motivating key personnel than in the past;

- the compatibility of business cultures;
- technological changes;
- pricing and availability of products and services;
- demand for the combined company's products and services;

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- competition;
- the deterioration of general economic conditions, either nationally or in the local markets in which we operate;
- legislative or regulatory changes that may adversely affect the combined company’s business;
- costs related to the business combination that may reduce Cazador’s working capital;
- the inability of Cazador to list the NEI Common Stock on The NASDAQ Capital Market; and
- Cazador’s dissolution and liquidation as a result of a failure to close the business combination.

The forward-looking statements are based on current expectations about future events. Although Cazador believes that the expectations reflected in the forward-looking statements are reasonable, these expectations may not be achieved. Cazador is under no duty to update any of the forward-looking statements after the date of this joint proxy statement/prospectus to conform those statements to actual results. In evaluating these statements, you should consider various factors, including the risks outlined in the section entitled “Risk Factors” beginning on page 38.

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QUESTIONS AND ANSWERS

The following questions and answers are intended to address briefly some commonly asked questions regarding the transactions contemplated by the business combination and the special meetings of Cazador and Net Element. These questions and answers may not address all questions that may be important to you as a shareholder. To better understand these matters, and for a description of the legal terms governing the transactions contemplated by the business combination, you should carefully read this entire joint proxy statement/prospectus, including the annexes, as well as the documents that have been incorporated by reference in this joint proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 241.Unless the context otherwise requires, in this joint proxy statement/prospectus, the term "Cazador" refers to Cazador Acquisition Corporation Ltd. as it currently exists under Cayman Islands law and as it will continue to exist under the DGCL following the Cazador domestication; the term "Cazador Cayman" refers to Cazador prior to the Cazador domestication; the term "NEI" refers to Cazador following effectiveness of the Cazador domestication; all references in this joint proxy statement/prospectus to "Net Element" refer to Net Element, Inc., a Delaware corporation; unless otherwise indicated or as the context requires, all references in this joint proxy statement/prospectus to "we" refer to Cazador and Net Element; all references to the "merger agreement" refer to the Agreement and Plan of Merger, dated as of June 12, 2012, as it may be amended from time to time, between Cazador and Net Element, a copy of which is attached as Annex A to this joint proxy statement/prospectus; and all references to the "Cazador Cayman Charter" refer to Cazador's Second Amended and Restated Memorandum and Articles of Association, a copy of which is attached as Annex B to this joint proxy statement/prospectus.

General Questions and Answers

Q: Why am I receiving this joint proxy statement/prospectus?

A: Cazador is proposing to acquire Net Element pursuant to the merger agreement. Cazador and Net Element have entered into the merger agreement pursuant to which Net Element will merge with and into Cazador, with Cazador as the surviving entity. As a condition to closing the merger pursuant to the terms of the merger agreement, Cazador is proposing to change its jurisdiction of incorporation by discontinuing as an exempted company in the Cayman Islands and continuing and domesticating as a corporation incorporated under the laws of Delaware, at which time Cazador will change its name, in connection with the effectiveness of the merger, to "Net Element International, Inc." As a result of the merger, former Net Element shareholders will own NEI Common Stock. Cazador intends to apply to list the NEI Common Stock on The NASDAQ Capital Market. There can be no assurance that the NEI Common Stock will be listed on The NASDAQ Capital Market.

Cazador is holding a special meeting of shareholders, which we refer to as the Cazador special meeting, in order to obtain the shareholder approval necessary to approve and adopt the merger agreement and the merger contemplated thereby, which we refer to as the Cazador merger approval. Pursuant to the terms of the merger agreement, Cazador shareholders will also be asked to approve the Cazador domestication, which we refer to as the Cazador domestication proposal, and, together with the Cazador merger approval, as the Cazador business combination approval. In addition, Cazador shareholders will be asked to approve the adjournment of the Cazador special meeting (if it is necessary or appropriate to solicit additional proxies because there are not sufficient votes to obtain the Cazador business combination approval).

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Net Element is holding a special meeting of shareholders, which we refer to as the Net Element special meeting, in order to obtain the shareholder approval necessary to approve and adopt the merger agreement and the merger contemplated thereby, which we refer to as the Net Element business combination approval. In addition, Net Element shareholders will be asked to approve the adjournment of the Net Element special meeting.

We will be unable to complete the business combination unless both the Cazador business combination approval and the Net Element business combination approval are obtained at the respective special meetings and the continuance to Delaware is approved.

We have included elsewhere in this joint proxy statement/prospectus important information about the business combination, the merger agreement (a copy of which is attached as Annex A) and the Cazador and Net Element special meetings. You should read this information carefully and in its entirety. The enclosed voting materials allow you to vote your shares without attending the applicable special meeting.

Your vote is important. You are encouraged to vote as soon as possible after carefully reviewing this joint proxy statement/prospectus.

Q: What equity stake will current Net Element shareholders and current Cazador shareholders hold in Cazador immediately after the consummation of the business combination?

A: Immediately following the completion of the business combination (without taking into account any shares of NEI Common Stock held by Net Element shareholders prior to the completion of the business combination), the former shareholders of Net Element are expected to own approximately 80.9% of the outstanding NEI Common Stock (or 65.6% of the outstanding NEI Common Stock calculated on a fully diluted basis) and the current holders of Cazador Ordinary Shares are expected to own approximately 19.1% of the outstanding NEI Common Stock (or 34.4% of the outstanding NEI Common Stock calculated on a fully diluted basis).

Q: What conditions must be satisfied to complete the business combination?

A: Cazador and Net Element are not required to complete the business combination unless a number of conditions are satisfied or waived. These conditions include, among others: (i) receipt of both the Cazador business combination approval and the Net Element business combination approval; (ii) completion of the Cazador domestication; (iii) absence of any injunctions, orders or laws that would prohibit, restrain or make illegal the merger; (iv) effectiveness of the registration statement on Form S-4, of which this joint proxy statement/prospectus forms a part, and the absence of any stop order; (v) the holders of Public Cazador Ordinary Shares, owning, in the aggregate, more than 49.9% of the Public Cazador Ordinary Shares, must not both vote against and exercise their shareholder redemption rights with respect to the business combination; and (vi) Cazador's having at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt).

For a more complete summary of the conditions that must be satisfied or waived prior to completion of the business combination, see “The Merger Agreement — Description of the Merger Agreement — Conditions to the Closing of the Merger” beginning on page 197.

Q: When do you expect the business combination to be completed?

A: Cazador and Net Element are working to complete the business combination as quickly as possible, and we anticipate that it will be completed in the third quarter of 2012. However, the business combination is subject to various regulatory approvals and other conditions which are described in more detail in this joint proxy statement/prospectus, and it is possible that factors outside the control of Cazador and Net Element could result in the business combination not being completed at all.

Q: What are my U.S. federal income tax consequences as a result of the merger?

A: As a condition to the completion of the merger, each of Reed Smith LLP, or Reed Smith, tax counsel to Cazador, and Bilzin Sumberg Baena Price & Axelrod LLP, or Bilzin, tax counsel to Net Element, must have delivered an opinion, dated the closing date of the merger, to the effect that the merger will be treated as a reorganization for U.S. federal income tax purposes within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the Code. Assuming that the merger qualifies as a reorganization, Net Element shareholders will not recognize any gain or loss for U.S. federal income tax purposes on the exchange of Net Element Common Stock for shares of NEI Common Stock in the merger.

The tax opinions regarding the merger will not address any state, local or foreign tax consequences of the merger. The opinions will be subject to customary qualifications and assumptions, including that the merger will be completed according to the terms of the merger agreement. In rendering the tax opinions, each counsel will require and rely on representations and statements of Net Element, Cazador and their affiliates, which will be delivered at the time of the closing of the merger. If any such assumption, representation or statement is or becomes inaccurate, the U.S. federal income tax consequences of the merger could be adversely affected.

An opinion of counsel represents such counsel’s best legal judgment but is not binding on the Internal Revenue Service, or IRS, or any court. Neither Net Element nor Cazador intends to request any ruling from the IRS as to the U.S. federal income tax consequences of the merger. Consequently, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences described in this joint proxy statement/prospectus or any of the tax consequences described in the tax opinions.

Tax matters are very complicated, and the tax consequences of the merger to a particular shareholder will depend on such shareholder's circumstances. Accordingly, you are strongly urged to consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of U.S. federal, state, local and foreign income and other tax laws. For a more complete discussion of the material U.S. federal income tax consequences of the merger, see "Material U.S. Federal Income Tax Consequences – Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 189.

Q: What happens if I sell my Cazador Ordinary Shares or Net Element Common Stock before the applicable special meeting?

A: The record dates for the Net Element special meeting, which we refer to as the Net Element record date, and for the Cazador special meeting, which we refer to as the Cazador record date, are earlier than the date of the special meetings and the date that the business combination is expected to be completed. If you transfer your shares after the applicable record date, but before the applicable special meeting, unless the transferee requests a proxy, you will retain your right to vote at such special meeting, but will have transferred the right to receive the merger consideration, in the case of Net Element shareholders, in the merger. In order to receive the merger consideration, holders of Net Element Common Stock must hold their shares through completion of the merger.

Q: What happens if I sell my shares of Net Element Common Stock after the Net Element special meeting, but before the effective time of the merger?

A: If you transfer your shares of Net Element Common Stock after the Net Element special meeting, but before the effective time of the merger, you will have transferred the right to receive the merger consideration in the merger. In order for holders of Net Element Common Stock to receive the merger consideration, such holders must hold their shares through completion of the merger.

Q: What if I hold shares in both Cazador and Net Element?

A: If you are a shareholder of both Cazador and Net Element, you will receive two separate packages of proxy materials. A vote as a Net Element shareholder for the proposal to approve and adopt the merger agreement will not constitute a vote as a Cazador shareholder for the proposal to approve and adopt the merger agreement, or vice versa. THEREFORE, PLEASE MARK, SIGN, DATE AND RETURN ALL PROXY CARDS THAT YOU RECEIVE, WHETHER FROM CAZADOR OR NET ELEMENT, OR SUBMIT A PROXY AS BOTH A CAZADOR AND NET ELEMENT SHAREHOLDER OVER THE INTERNET OR BY TELEPHONE.

Q: My shares are held in "street name" by my broker. Will my broker automatically vote my shares for me?

A: No. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the "beneficial holder" of the shares held for you in what is known as "street name." If this is the case, this joint proxy statement/prospectus has been forwarded to you by your brokerage firm, bank or other nominee, or its agent. As the beneficial holder, you have the right to direct your broker, bank or other nominee as to how to vote your shares. If you do not provide voting instructions to your broker on a particular proposal on which your broker does not have discretionary authority to vote, your shares will not be voted on that proposal. This is called a “broker non-vote.”

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Cazador believes that under Cayman Islands law, broker non-votes should be counted for purposes of determining the presence or absence of a quorum at the Cazador special meeting. Furthermore, under the rules of the NYSE, brokers, banks and other nominees that are members of the NYSE do not have discretionary authority to vote on non-routine proxy statement proposals, including the proposals to approve the business combination at the special meetings. Accordingly, to the extent that there are any broker non-votes, a broker non-vote will have the same effect as a vote “AGAINST” the proposal to approve and adopt the merger agreement but will have no effect on the other proposals.

Net Element believes that, under the DGCL, broker non-votes will be counted for purposes of determining the presence of a quorum at the Net Element special meeting. As noted in the previous paragraph, however, brokers, banks and other nominees that are members of the NYSE do not have discretionary authority to vote on non-routine proxy statement proposals, including the proposals to approve the business combination at the special meetings. To the extent that there are any broker non-votes, a broker non-vote will have the same effect as a vote “AGAINST” the proposal to approve and adopt the merger agreement but will have no effect on the other proposals.

Q: What do I need to do now?

A: Read and consider the information contained in this joint proxy statement/prospectus carefully, and then please vote your shares as soon as possible so that your shares may be represented at your special meeting.

Q: How do I vote?

A: You can vote in person by completing a ballot at the special meeting, or you can vote by proxy before the special meeting. Even if you plan to attend your company’s special meeting, we encourage you to vote your shares by proxy as soon as possible. After carefully reading and considering the information contained in this joint proxy statement/prospectus, please submit your proxy by telephone or over the Internet in accordance with the instructions set forth on the enclosed proxy card, or mark, sign and date the proxy card, and return it in the enclosed postage-paid envelope as soon as possible so that your shares may be voted at your company’s special meeting. For detailed information, see “The Special Meeting of Cazador Shareholders — How to Vote” beginning on page 150 and “The Special Meeting of Net Element Shareholders — How to Vote” beginning on page 159. **YOUR VOTE IS VERY IMPORTANT.**

Q: Can I change my vote after I have submitted a proxy by telephone or over the Internet or submitted my completed proxy card?

A: Yes. If you are a shareholder of record, you can change your vote by revoking your proxy at any time before it is voted at the Cazador or Net Element special meeting, as applicable. You can do this in one of four ways: (1) submit a proxy again by telephone or over the Internet prior to midnight on the night before the special meeting; (2) sign another proxy card with a later date and return it by mail prior to midnight on the night before the special meeting; (3) attend the applicable special meeting and complete a ballot; or (4) send a written notice of revocation to the secretary of Cazador or Net Element, as applicable, so that it is received prior to midnight on the night before the Cazador or Net Element special meeting, as applicable.

If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

Q: What should shareholders do if they receive more than one set of voting materials for a special meeting?

A: You may receive more than one set of voting materials for a special meeting, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. Please complete, sign, date and return each proxy card and voting instruction card that you receive. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card.

Q: Who should I call if I have questions about the proxy materials or voting procedures?

A: If you have questions about the business combination, or if you need assistance in submitting your proxy or voting your shares or need additional copies of this joint proxy statement/prospectus or the enclosed proxy card, you should contact the company in which you hold shares as follows:

If you are a Cazador shareholder, you should contact Cazador Acquisition Corporation Ltd., by mail at BBVA Building, P1, 254 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918, Attention: Jorge De Jesus, by telephone at (787) 993-9650, or by email at jdj@cazador1.com.

If you are a Net Element shareholder, you should contact Net Element by mail at 1450 S. Miami Avenue, Miami, Florida 33130, Attention: Jonathan New, by telephone at (305) 507-8808, or by email at jn@netelement.com.

Alternatively, you may contact by mail at , by telephone at , or by email at .

If your shares are held in a stock brokerage account or by a bank or other nominee, you should contact your broker, bank or other nominee for additional information.

Questions and Answers for Cazador Shareholders

Q: Why is Cazador proposing the merger?

A: Cazador is proposing to acquire Net Element pursuant to the merger agreement.

Cazador is a recently organized blank check company incorporated as a Cayman Islands exempted company for the purpose of effecting a merger, share capital exchange, asset acquisition, share purchase, reorganization or similar business combination. Cazador's business plan is not limited to a particular industry, geographic region or minimum transaction value for purposes of consummating an initial business combination, except that its initial business combination must be with one or more target businesses whose fair market value, individually or collectively, is equal to at least 80% of the balance in the trust account at the time of such initial business combination plus any amounts previously distributed to Cazador shareholders who have exercised their shareholder redemption rights.

Cazador determined that the fair market value of Net Element is approximately $97.7 million (based on the aggregate shares of Net Element Common Stock to be acquired by Cazador in the merger multiplied by the last reported sale price per share of Net Element Common Stock on the OTCQB electronic quotation system on June 11, 2012). Because the balance of the Cazador trust account was approximately $46.2 million as of June 11, 2012, Cazador concluded that the fair market value of Net Element is greater than 80% of the balance of the Cazador trust account.

On October 14, 2010, Cazador closed its initial public offering of 4,600,000 units (including 600,000 units subject to the underwriters' over-allotment option which were exercised on October 14, 2010). Each unit consisted of one ordinary share, par value $0.001, and one warrant. The units were sold at an offering price of $10.00, generating gross proceeds to Cazador of approximately $46.0 million. Prior to Cazador's initial public offering, it sold an aggregate of 4,340,000 warrants to Cazador's Sponsor in a private placement for a purchase price of $0.50 per warrant, generating total proceeds of approximately $2.2 million to Cazador. After deducting the underwriting discounts and commissions and Cazador's initial public offering expenses, the total net proceeds to Cazador from the initial public offering and private placement were approximately $46.5 million, of which approximately $46.2 million was deposited into a trust account, with the remaining proceeds being used to provide for business, legal and accounting due diligence and advisory fees in connection with prospective business combinations, compliance with securities laws and regulations, and continuing general and administrative expenses.

In accordance with the Cazador Cayman Charter (which is included as Annex B to this joint proxy statement/prospectus and incorporated by reference), if Cazador was unable to complete a business combination by April 14, 2012, Cazador would be required to repurchase all of the Public Cazador Ordinary Shares and liquidate the trust account and distribute the proceeds pro rata to the holders of Public Cazador Ordinary Shares in return for such shares (which will be subsequently cancelled upon completion of the redemption of such shares). On March 28, 2012, Cazador filed a Form 8-K with the SEC in which it announced that it had entered into a non-binding letter of intent with respect to an initial business combination. Pursuant to the Cazador Cayman Charter, the execution of the letter of intent affords the Company a six-month extension for the completion of its initial business combination until October 14, 2012.

See "The Business Combination — Recommendation of the Cazador Board; Cazador's Reasons for the Business Combination."

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Q: Why is Cazador proposing the Cazador domestication?

A: It is a condition to close the merger pursuant to the terms of the merger agreement that Cazador change its jurisdiction of incorporation from the Cayman Islands to Delaware, referred to as the Cazador domestication. To effect the Cazador domestication, Cazador will file a notice of de-registration with the Cayman Islands Registrar of Companies, together with the necessary accompanying documents, and file a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of Delaware, under which Cazador will be domesticated and continue as a Delaware corporation, at which time Cazador will change its name, in connection with the effectiveness of the merger, to "Net Element International, Inc." The Cazador domestication requires the approval of the holders of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at the Cazador special meeting.

Q: What are my U.S. federal income tax consequences as a result of the Cazador domestication?

A: In the opinion of Reed Smith, tax counsel to Cazador, the Cazador domestication will constitute a reorganization within the meaning of Section 368(a)(l)(F) of the Code. Assuming that the Cazador domestication qualifies as a reorganization, U.S. holders (as defined in "Material U.S. Federal Income Tax Consequences" below) of Cazador Ordinary Shares will be subject to Section 367(b) of the Code and, as a result:

- A U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of less than $50,000 on the day of the Cazador domestication will not recognize any gain or loss and will not be required to include any part of the "all earnings and profits amount" in income.

- A U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of $50,000 or more but who on the day of the Cazador domestication owns (actually and constructively) less than 10% of the total combined voting power of all classes of Cazador Cayman shares entitled to vote generally will recognize gain (but not loss) on the exchange of Cazador Ordinary Shares for NEI Common Stock pursuant to the Cazador domestication. As an alternative to recognizing gain, however, a U.S. holder may elect to include in income as a dividend the "all earnings and profits amount," as the term is defined in Treasury Regulation Section 1.367(b)-2(d), attributable to the Cazador Ordinary Shares it directly owns, provided certain requirements are satisfied. Cazador does not expect that Cazador Cayman's cumulative earnings and profits will be greater than zero as of the day of the Cazador domestication.

- A U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of $50,000 or more, and who on the day of the Cazador domestication owns (actually and constructively) 10% or more of the total combined voting power of all classes of Cazador Cayman shares entitled to vote generally will be required to include in income as a dividend the "all earnings and profits amount," as the term is defined in Treasury Regulation Section 1.367(b)-2(d), attributable to the Cazador Ordinary Shares it directly owns. However, Cazador does not expect that

Cazador Cayman’s cumulative earnings and profits will be greater than zero as of the day of the Cazador domestication.

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Cazador Cayman should be considered a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes. As a result, notwithstanding the foregoing U.S. federal income tax consequences of the Cazador domestication, proposed Treasury regulations under Section 1291(f) of the Code (which have a retroactive effective date), if finalized in their current form, generally would require a U.S. holder to recognize gain on the exchange of Cazador Ordinary Shares for NEI Common Stock pursuant to the Cazador domestication. The tax on any such gain so recognized would be imposed at the rate applicable to ordinary income and an interest charge would apply based on a complex set of computational rules designed to offset the tax deferral to such holders on the undistributed earnings, if any, of Cazador Cayman. However, we are unable to predict at this time whether, in what form, and with what effective date, final Treasury regulations under Section 1291(f) of the Code will be adopted. For a more complete discussion of the potential application of the PFIC rules to U.S. holders as a result of the Cazador domestication, see “Material U.S. Federal Income Tax Consequences – Material U.S. Federal Income Tax Consequences of the Cazador Domestication – Passive Foreign Investment Company Considerations” beginning on page 193.

Additionally, the Cazador domestication may cause non-U.S. holders (as defined in “Material U.S. Federal Income Tax Consequences” below) to become subject to U.S. withholding taxes on any dividends in respect of the shares of NEI Common Stock made subsequent to the Cazador domestication.

The tax opinion regarding the Cazador domestication will not address any state, local or foreign tax consequences of the Cazador domestication. The opinions will be subject to customary qualifications and assumptions, including that the Cazador domestication will be completed as described herein. In rendering the tax opinion, Reed Smith will require and rely on representations and statements of Cazador and their affiliates, which will be delivered at the time of the closing of the Cazador domestication. If any such assumption, representation or statement is or becomes inaccurate, the U.S. federal income tax consequences of the Cazador domestication could be adversely affected.

An opinion of counsel represents such counsel’s best legal judgment but is not binding on the IRS or any court. Cazador does not intend to request any ruling from the IRS as to the U.S. federal income tax consequences of the Cazador domestication. Consequently, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences set forth in this joint proxy statement/prospectus or any of the tax consequences described in the tax opinion.

Tax matters are very complicated, and the tax consequences of the Cazador domestication to a particular shareholder will depend on such shareholder’s circumstances. Accordingly, you are strongly urged to consult your tax advisor for a full understanding of the tax consequences of the Cazador domestication to you, including the applicability and effect of U.S. federal, state, local and foreign income and other tax laws. For a more complete discussion of the material U.S. federal income tax consequences of the Cazador domestication, see “Material U.S. Federal Income Tax Consequences – Material U.S. Federal Income Tax Consequences of the Cazador Domestication” beginning on page 190.

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Q: When and where will the Cazador special meeting be held?

A: The Cazador special meeting will be held at on , 2012, at , Eastern time, unless the special meeting is adjourned or postponed.

Q: Who is entitled to vote at the Cazador special meeting?

A: Cazador has fixed , 2012 as the Cazador record date. If you were a Cazador shareholder at the close of business on the Cazador record date, you are entitled to vote on matters that come before the Cazador special meeting. However, a Cazador shareholder may only vote his or her shares if he or she is present in person or is represented by proxy at the Cazador special meeting.

Q: How many votes do I have?

A: Cazador shareholders are entitled to one vote at the Cazador special meeting for each Cazador Ordinary Share held of record as of the Cazador record date. As of the close of business on the Cazador record date, there were outstanding Cazador Ordinary Shares, of which were outstanding Public Cazador Ordinary Shares.

Q: What constitutes a quorum?

A: Holders of a majority in voting power of the Cazador Ordinary Shares issued and outstanding and entitled to vote at the Cazador special meeting, present in person or represented by proxy, constitute a quorum. As of the record date for the Cazador special meeting, Cazador Ordinary Shares would be required to achieve a quorum.

Q: What vote is required to approve each Cazador proposal?

A: *Proposal to Approve and Adopt the Merger Agreement by Cazador Shareholders*: The proposal to approve and adopt the merger agreement and the merger contemplated thereby, which we refer to as the Cazador merger proposal, requires the affirmative vote of holders of a majority of the Public Cazador Ordinary Shares outstanding and entitled to vote. Accordingly, a Cazador shareholder's failure to submit a proxy card or to vote in person at the special meeting, an abstention from voting, or the failure of a Cazador shareholder who holds his or her shares in "street name" through a broker or other nominee to give voting instructions to such broker or other nominee, will have the same effect as a vote "AGAINST" the Cazador merger proposal.

Proposal to Approve the Cazador Domestication: The proposal to approve the Cazador domestication, which we refer to as the Cazador domestication proposal, requires the affirmative vote of holders of at least two-thirds of the Cazador Ordinary Shares outstanding and entitled to vote which attend and vote at the Cazador special meeting.

Proposal to Adjourn the Cazador special meeting by Cazador Shareholders: Approving the adjournment of the special meeting (if it is necessary or appropriate to solicit additional proxies because there are not sufficient votes to obtain the Cazador business combination approval) requires the affirmative vote of holders of a majority of the Cazador Ordinary Shares present, in person or represented by proxy, at the special meeting and entitled to vote on the adjournment proposal, regardless of whether a quorum is present. Accordingly, abstentions will have the same effect as a vote "AGAINST" the proposal to adjourn the special meeting, while broker non-votes and shares not in attendance at the special meeting will have no effect on the outcome of any vote to adjourn the special meeting.

Q: How does Cazador's Sponsor intend to vote its shares?

A: Cazador's Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the business combination.

Q: What are the recommendations of Cazador's board of directors?

A: Cazador's board of directors, or the Cazador board, has unanimously (i) approved the merger agreement and the consummation of the transactions contemplated thereby upon the terms and subject to the conditions set forth in the merger agreement; (ii) approved the Cazador domestication; (iii) determined that the terms of the merger are fair to, and in the best interests of, Cazador and its shareholders; (iv) directed that the merger agreement be submitted to Cazador shareholders for adoption; (v) recommended that Cazador shareholders vote in favor of each of the Cazador merger proposal and the Cazador domestication proposal and (vi) declared the advisability of the business combination.

The Cazador board unanimously recommends that Cazador shareholders vote:

- "FOR" the Cazador merger proposal; and

- "FOR" the Cazador domestication proposal; and

- "FOR" the proposal to approve the adjournment of the special meeting (if it is necessary or appropriate to solicit additional proxies because there are not sufficient votes to obtain the Cazador business combination approval).

See "The Business Combination — Recommendation of the Cazador Board; Cazador's Reasons for the Business Combination" beginning on page 172.

Q: Do Cazador shareholders have redemption rights?

A: Yes. Cazador is offering each holder of Public Cazador Ordinary Shares the right to have such holder's shares redeemed into cash if such holder either (i) votes against the business combination and timely exercises such redemption right or (ii) votes in favor of the business combination but elects to exercise such shareholder's right to redeem. Cazador's Sponsor and its beneficial owners will not have shareholder redemption rights with respect to any Cazador Ordinary Shares owned by them, directly or indirectly, including Cazador Ordinary Shares purchased by them in Cazador's initial public offering or in the secondary market. The actual per-share redemption price will be equal to the aggregate amount then in the trust account, and including accrued interest, net of any interest income on the trust account balance required for Cazador to pay its tax obligations incurred and net of interest income of up to $2.0 million previously released to Cazador to fund its working capital requirements (calculated as of two business days prior to the consummation of the business combination), divided by the number of Public Cazador Ordinary Shares. As of June 11, 2012, the per-share redemption price would be approximately $10.036. There will be no redemption rights upon the consummation of the merger agreement with respect to outstanding Cazador warrants.

Each holder of Public Cazador Ordinary Shares may elect to redeem his, her or its Public Cazador Ordinary Shares irrespective of whether he, she or it votes for or against the business combination. Cazador will not complete the business combination if holders of Public Cazador Ordinary Shares, owning, in the aggregate, more than 49.9% of the Public Cazador Ordinary Shares, both vote against and exercise their shareholder redemption rights with respect to the business combination. Additionally, as per the terms of the merger agreement, the merger will not be consummated unless Cazador has at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and pay-off of related party debt). Holders of Public Cazador Ordinary Shares will be able to redeem their shares up to the business day immediately prior to the vote on the proposals to approve the business combination.

As set forth in the Cazador Cayman Charter, a holder of Public Cazador Ordinary Shares, together with any affiliate of his or any other person with whom he is acting in concert or as a partnership, syndicate or other group for the purpose of acquiring, holding or disposing of Cazador Cayman's securities, will be prohibited from exercising shareholder redemption rights with respect to more than 10% of the Public Cazador Ordinary Shares.

Cazador may enter into privately negotiated transactions to purchase shares of NEI Common Stock from its public shareholders using proceeds released from the trust account immediately following consummation of the transactions contemplated by the merger agreement.

Q: Will how I vote affect my ability to exercise redemption rights?

A: No. You may exercise your redemption rights whether you vote your Public Cazador Ordinary Shares for or against the business combination or other proposals submitted for approval by shareholders.

Q: How do I exercise my redemption rights?

A: If you wish to exercise your redemption rights, you must:

- send a letter to Cazador's transfer agent, Continental Stock Transfer & Trust Company, at 17 Battery Place, 8th Floor, New York, New York 10004, attn: Frank Di Paolo, stating that you are exercising your redemption rights and demanding that your Public Cazador Ordinary Shares be converted into cash; and

- either:

  - physically tender, or if you hold your Public Cazador Ordinary Shares in “street name,” cause your broker to physically tender, your certificates representing Cazador Ordinary Shares to Cazador’s transfer agent by , 2012; or

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- deliver your Public Cazador Ordinary Shares electronically using the Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System, to Cazador's transfer agent by , 2012.

You may elect to redeem your Public Cazador Ordinary Shares irrespective of whether you vote in favor of or against the approval of the business combination.

Q: What are my U.S. federal income tax consequences of exercising my redemption rights?

A: A U.S. holder of Public Cazador Ordinary Shares who exercises redemption rights to receive cash from the trust account in exchange for its Public Cazador Ordinary Shares generally will recognize gain or loss equal to the difference, if any, between the amount of cash received and its tax basis in the Public Cazador Ordinary Shares redeemed. A shareholder's tax basis in its Public Cazador Ordinary Shares generally will equal the cost of such shares. A shareholder who purchased Cazador units in Cazador's initial public offering generally will have a tax basis in the Public Cazador Ordinary Shares that were part of such Cazador units equal to the portion of the purchase price of such Cazador units allocated to the Public Cazador Ordinary Shares (such allocation based on the relative fair market values of the Public Cazador Ordinary Shares and the warrants at the time of purchase).

Because Cazador Cayman should be considered a PFIC for U.S. federal income tax purposes, a U.S. holder who exercises redemption rights to receive cash in exchange for its Public Cazador Ordinary Shares generally will be subject to special tax rules with respect to any gain realized on the redemption. In general, under these special tax rules, unless the U.S. holder has made a "qualified electing fund" election under Section 1295 of the Code with respect to its Public Cazador Ordinary Shares for the first taxable year in which such U.S. holder owns such shares or in which Cazador Cayman is a PFIC, whichever is later, or a "mark-to-market" election under Section 1296 of the Code, (i) any gain recognized on the redemption will be allocated ratably over the U.S. holder's holding period for the Public Cazador Ordinary Shares redeemed, (ii) the amount of gain allocated to the current taxable year will be treated as ordinary income, and (iii) the amount of gain allocated to each other year will be subject to the highest tax rate in effect for that year, and an interest charge will be imposed to recover the deemed benefit of the deferred payment of tax.

Tax matters are very complicated, and the tax consequences of the redemption to a particular holder of Public Cazador Ordinary Shares will depend on such shareholder's circumstances. Accordingly, you are strongly urged to consult your tax advisor for a full understanding of the tax consequences of the redemption to you, including the applicability and effect of U.S. federal, state, local and foreign income and other tax laws. For a more complete discussion of the material U.S. federal income tax consequences of a redemption of Public Cazador Ordinary Shares for cash, see "Material U.S. Federal Income Tax Consequences – Tax Consequences to Holders of Public Cazador Ordinary Shares Exercising Redemption Rights" beginning on page 194.

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Q: How will the Cazador domestication affect my Cazador Ordinary Shares and warrants?

A: On the effective date of the Cazador domestication, each Cazador Ordinary Share that is issued and outstanding will automatically convert by operation of law into one share of NEI Common Stock. Similarly, outstanding options, warrants and other rights to acquire Cazador Ordinary Shares will become options, warrants or rights to acquire the corresponding shares of NEI Common Stock. It is not necessary for holders of Cazador Ordinary Shares who currently hold share certificates to exchange their existing share certificates for certificates of shares of NEI Common Stock. No other changes will be made to the terms of any outstanding options, warrants and other rights to acquire Cazador Ordinary Shares as a result of the Cazador domestication.

Q: If I am a Cazador warrantholder, can I exercise redemption rights with respect to my warrants?

A: No. There are no redemption rights with respect to Cazador's warrants.

Q: Do I have appraisal rights in connection with the Cazador domestication?

A: No. Under Cayman Islands law and the DGCL, holders of Cazador Ordinary Shares do not have statutory dissenters' rights of appraisal or any other appraisal rights as a result of the Cazador domestication.

Q: What happens to the funds deposited in the trust account after completion of the business combination?

A: Upon consummation of the business combination, the funds deposited in the trust account will be released to pay holders of Public Cazador Ordinary Shares who properly exercise their redemption rights; (ii) to pay transaction fees and expenses associated with the business combination; and (iii) for working capital and general corporate purposes of Cazador following the business combination.

Q: What happens if the business combination is not consummated or is terminated?

A: If Cazador does not effect the business combination or any other business combination before October 14, 2012, it will compulsorily repurchase all Public Cazador Ordinary Shares and automatically liquidate the trust account in accordance with the procedure in the Cazador Cayman Charter. The Public Cazador Ordinary Shares will be cancelled and Cazador's Sponsor will be the only remaining shareholder and Cazador will continue in existence.

Questions and Answers for Net Element Shareholders

Q: Why is Net Element proposing to combine with Cazador?

A: In reaching its decision to recommend the merger agreement for adoption by Net Element shareholders, the Net Element board of directors, or the Net Element board, consulted with Net Element's management, as well as its financial and legal advisors, and considered a number of factors that the board members believe supported their decision. In particular, the Net Element board believes the business combination would provide Net Element shareholders with the potential to participate in a newly capitalized public company that could take advantage of potential growth opportunities and synergies resulting from combining Net Element with Cazador. The Net Element board reviewed the strategic alternatives available to the company, including remaining as a stand-alone public company, and concluded that it is an appropriate time to sell Net Element and that the merger consideration reflected the highest value reasonably attainable for Net Element public shareholders at this time. See "The Business Combination — Recommendation of the Net Element Board; Net Element's Reasons for the Business Combination" beginning on page 178.

Q: What will Net Element shareholders receive in the merger?

A: Prior to the effectiveness of the merger, Cazador intends to change its jurisdiction of incorporation from the Cayman Islands to Delaware by effecting the Cazador domestication. On the effective date of the Cazador domestication, each Cazador Ordinary Share that is issued and outstanding will automatically convert by operation of law into one share of NEI Common Stock.

Pursuant to the terms of the merger agreement, upon completion of the merger, each share of then-issued and outstanding Net Element Common Stock will be automatically cancelled and converted into the right to receive the number of shares of NEI Common Stock equal to the Exchange Ratio. The Exchange Ratio initially is 0.025 shares of NEI Common Stock per share of Net Element Common Stock, which reflects a 147% premium over the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system of $0.10 per share on June 11, 2012. The Exchange Ratio is subject to adjustment to reflect appropriately the effect of any stock split, reverse stock split, stock dividend, extraordinary cash dividends, reorganization, recapitalization, reclassification, combination, exchange of shares or other like change. However, shares held by Net Element as treasury stock or by any direct or indirect wholly-owned subsidiary of Net Element and shares with respect to which appraisal rights, to the extent available under the DGCL, are properly exercised and not withdrawn, which we collectively refer to as the Net Element excluded shares, will not receive the merger consideration. Any Net Element excluded shares will be cancelled upon the effectiveness of the merger.

Notwithstanding the foregoing, to the extent a holder of Net Element Common Stock would receive fewer than 100 shares of NEI Common Stock as a result of the Exchange Ratio, Cazador shall have the right, exercisable in Cazador's sole and absolute discretion, to issue to any such holder an additional number of shares of NEI Common Stock so that such holder receives, in the aggregate, 100 shares of NEI Common Stock in connection with the merger.

Net Element shareholders will not receive any fractional shares of NEI Common Stock in the merger. Instead, Cazador will issue one share of NEI Common Stock to each holder of Net Element Common Stock that would otherwise be entitled to a fractional share of NEI Common Stock.

Q: Should I send in my share certificates now for the exchange?

A: No. After the merger is completed, Net Element shareholders holding Net Element share certificates will receive from Cazador's exchange agent a letter of transmittal and instructions on how to obtain the merger consideration.

Each holder of record of one or more book entry shares of Net Element Common Stock whose shares will be converted into the right to receive the merger consideration will automatically, upon the effective time of the merger, be entitled to receive, and Cazador will cause the exchange agent to deliver to such holder as promptly as practicable after the effective time, the NEI Common Stock to which such holder is entitled under the merger agreement. Holders of book entry shares will not be required to deliver a certificate or an executed letter of transmittal to the exchange agent in order to receive the merger consideration.

Q: When and where will the Net Element special meeting be held?

A: The Net Element special meeting will be held at on , 2012, at , Eastern time, unless the special meeting is adjourned or postponed.

Q: Who is entitled to vote at the Net Element special meeting?

A: Net Element has fixed , 2012 as the Net Element record date. If you were a Net Element shareholder at the close of business on the Net Element record date, you are entitled to vote on matters that come before the Net Element special meeting. However, a Net Element shareholder may only vote his or her shares of Net Element Common Stock if he or she is present in person or is represented by proxy at the Net Element special meeting.

Q: How many votes do I have?

A: Net Element shareholders are entitled to one vote at the Net Element special meeting for each share of Net Element Common Stock held of record as of the Net Element record date. As of the close of business on the Net Element record date, there were outstanding shares of Net Element Common Stock.

Q: What constitutes a quorum?

A: Holders of a majority of the outstanding shares of Net Element Common Stock entitled to vote at the Net Element special meeting, present in person or represented by proxy, constitutes a quorum. In the absence of a quorum, the majority of the shares represented in person or by proxy, will have the power to adjourn the special meeting. As of the record date for the Net Element special meeting, shares of Net Element Common Stock would be required to achieve a quorum.

Q: What vote is required to approve each Net Element proposal?

A: *Proposal to Approve and Adopt the Merger Agreement by Net Element Shareholders*: The proposal to approve and adopt the merger agreement and the merger contemplated thereby, which we refer to as the Net Element merger proposal, requires the affirmative vote of holders of a majority of the shares of Net Element Common Stock outstanding and entitled to vote. Accordingly, a Net Element shareholder's failure to submit a proxy card or to vote in person at the special meeting, an abstention from voting, or the failure of a Net Element shareholder who holds his or her shares in "street name" through a broker or other nominee to give voting instructions to such broker or other nominee, which we refer to as a broker non-vote, will have the same effect as a vote "AGAINST" the Net Element merger proposal.

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Proposal to Adjourn the Net Element Special Meeting by Net Element Shareholders: Approving the adjournment of the special meeting (if it is necessary or appropriate to solicit additional proxies because there are not sufficient votes to obtain the Net Element business combination approval) requires the affirmative vote of holders of a majority of the shares of Net Element Common Stock present, in person or represented by proxy, at the special meeting and entitled to vote on the adjournment proposal. Accordingly, abstentions will have the same effect as a vote "AGAINST" the proposal to adjourn the special meeting, while broker non-votes and shares not in attendance at the special meeting will have no effect on the outcome of any vote to adjourn the special meeting.

Q: How do the Net Element insiders intend to vote their shares?

A: Mike Zoi, Net Element's Chairman and Chief Executive Officer, owns, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of June 11, 2012 (67.2% assuming the exercise of options and warrants Mr. Zoi owns which are currently exercisable), and therefore holds enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder. Mr. Zoi intends to vote his shares "FOR" the approval and adoption of the merger agreement.

Q: What are the recommendations of the Net Element board?

A: The Net Element board (other than Mike Zoi, who did not participate in the vote) has unanimously (i) approved the merger agreement and the consummation of the transactions contemplated thereby upon the terms and subject to the conditions set forth in the merger agreement; (ii) determined that the terms of the business combination are fair to, and in the best interests of, Net Element and its shareholders; (iii) directed that the merger agreement be submitted to Net Element shareholders for adoption; and (iv) declared the advisability of the business combination.

The Net Element board recommends that Net Element shareholders vote:

- "FOR" the Net Element merger proposal; and
- "FOR" the proposal to approve the adjournment of the special meeting.

See "The Business Combination — Recommendation of the Net Element Board; Net Element's Reasons for the Business Combination" beginning on page 178.

Q: Are Net Element shareholders entitled to appraisal or dissenters' rights?

A: Yes, but only to the extent available under the DGCL. Holders of Net Element Common Stock who do not vote for the Net Element merger proposal and elect to exercise such appraisal rights, to the extent such rights are available under the DGCL, and who perfect those rights under the DGCL will be entitled to the appraised fair value of their shares of Net Element Common Stock paid to them in cash. The appraised fair value of any holder's Net Element Common Stock may be more or less than the value of the merger consideration that would otherwise be payable to such holder pursuant to the merger agreement. To exercise appraisal rights, a shareholder must follow carefully the requirements of the DGCL, including not consenting to, or voting in favor of, the approval and adoption of the merger agreement and timely delivering to Net Element a written demand for appraisal of such shareholder's shares in accordance with the DGCL. These appraisal requirements and procedures are summarized under the section entitled "The Merger Agreement — Description of the Merger Agreement — Appraisal Rights/Dissenting Shares" beginning on page 199. A copy of the relevant provisions of the DGCL addressing appraisal rights is attached as Annex H to this joint proxy statement/prospectus. Holders of Net Element Common Stock who intend to exercise appraisal rights should read the statutory provisions carefully and consult with their own legal advisors, as any deviation from the statutory requirements may result in a forfeiture of appraisal rights otherwise available to such shareholders.

Q: If the merger is completed, when can I expect to receive the merger consideration for my shares of Net Element Common Stock?

A: *Certificated Shares*: As soon as reasonably practicable after the effective time of the business combination, Cazador will cause an exchange agent to mail to each holder of certificated shares of Net Element Common Stock a form of letter of transmittal and instructions for use in effecting the exchange of Net Element Common Stock for the merger consideration. After receiving the proper documentation from a holder of Net Element Common Stock, the exchange agent will deliver to such holder the shares of NEI Common Stock to which such holder is entitled under the merger agreement.

Book Entry Shares: Each holder of record of one or more book entry shares of Net Element Common Stock whose shares will be converted into the right to receive the merger consideration will automatically, upon the effective time of the merger, be entitled to receive, and Cazador will cause the exchange agent to deliver to such holder as promptly as practicable after the effective time, the cash and NEI Common Stock to which such holder is entitled under the merger agreement. Holders of book entry shares will not be required to deliver a certificate or an executed letter of transmittal to the exchange agent in order to receive the merger consideration.

SUMMARY

The following summary highlights only selected information contained elsewhere in this joint proxy statement/prospectus and may not contain all the information that may be important to you. Accordingly, you are encouraged to read this joint proxy statement/prospectus carefully and in its entirety, including its annexes and the documents incorporated by reference in this joint proxy statement/prospectus. See the section entitled "Where You Can Find More Information" beginning on page 241.

Parties to the Business Combination

Cazador Acquisition Corporation Ltd.

Cazador Acquisition Corporation Ltd., or Cazador, is a recently organized blank check company incorporated as a Cayman Islands exempted company for the purpose of effecting a merger, share capital exchange, asset acquisition, share purchase, reorganization or similar business combination.

On October 14, 2010, Cazador closed its initial public offering of 4,600,000 units (including 600,000 units subject to the underwriters' over-allotment option which were exercised on October 14, 2010). Each unit consisted of one ordinary share, par value $0.001, and one warrant. The units were sold at an offering price of $10.00, generating gross proceeds to Cazador of approximately $46.0 million. Prior to Cazador's initial public offering, it sold an aggregate of 4,340,000 warrants to Cazador's Sponsor in a private placement for a purchase price of $0.50 per warrant, generating total proceeds of approximately $2.2 million to Cazador. After deducting the underwriting discounts and commissions and Cazador's initial public offering expenses, the total net proceeds to Cazador from the initial public offering and private placement were approximately $46.5 million, of which approximately $46.2 million was deposited into a trust account, with the remaining proceeds being used to provide for business, legal and accounting due diligence and advisory fees in connection with prospective business combinations, compliance with securities laws and regulations, and continuing general and administrative expenses.

Prior to the effectiveness of the merger, Cazador intends to change its jurisdiction of incorporation from the Cayman Islands to Delaware by effecting the Cazador domestication. Following the Cazador domestication, Cazador will continue as a Delaware corporation, at which time Cazador will change its name, in connection with the effectiveness of the merger, to "Net Element International, Inc."

The Cazador Ordinary Shares are listed on The NASDAQ Capital Market and trade under the symbol “CAZA.” On , 2012, the latest practicable date before the printing of this proxy statement/prospectus, the last reported sale price of the Cazador Ordinary Shares on The NASDAQ Capital Market was $ per share. Cazador intends to apply to list the shares of NEI Common Stock on The NASDAQ Capital Market under the symbol “NETE.” There can be no assurance that the NEI Common Stock will be listed on The NASDAQ Capital Market.

Cazador’s principal executive offices are located at BBVA Building, P1, 254 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918, and its telephone number is (787) 993-9650.

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Net Element, Inc.

Since April 1, 2010, Net Element has pursued a strategy to develop and acquire technology and applications for use in the online media industry. As part of Net Element's strategy to develop an online media company, on December 14, 2010, Net Element acquired Openfilm, LLC, a Florida limited liability company that is engaged in the development of technology and operation of a website that supports the advancement of independent film on the Internet. Additionally, on February 1, 2011, Net Element acquired Motorsport, LLC, a Florida limited liability company that owns 100% of the outstanding common stock of Motorsport.com, Inc., a Florida corporation engaged in the operation of a news and information website relating to the international motorsport industry, and Music1, LLC, a Florida limited liability company that owns 97% of the membership interests in A&R Music Live, LLC, a Georgia limited liability company that owns and operates two websites that provide an online social community and marketplace for musicians, songwriters, producers and record companies and an opportunity to showcase artist talents. As a result of these acquisitions, Net Element now operates several online media websites in the film, auto racing and emerging music talent markets.

The Net Element Common Stock is quoted on the OTCQB electronic quotation system under the symbol "NETE." On , 2012, the latest practicable date before the printing of this proxy statement/prospectus, the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system was $ per share.

Net Element's principal executive offices are located at 1450 S. Miami Avenue, Miami, Florida 33130, and its telephone number is (305) 507-8808.

<u>The Proposed Business Combination</u>

The Proposed Merger

Cazador is proposing to acquire Net Element pursuant to the merger agreement. Cazador and Net Element have entered into the merger agreement pursuant to which Net Element will merge with and into Cazador, with Cazador as the surviving entity.

Prior to the effectiveness of the merger, Cazador intends to change its jurisdiction of incorporation from the Cayman Islands to Delaware by effecting the Cazador domestication. On the effective date of the Cazador domestication, each Cazador Ordinary Share that is issued and outstanding will automatically convert by operation of law into one share of NEI Common Stock.

Prior to the effective time of the merger, each holder of outstanding securities of Net Element that are convertible into or exchangeable or exercisable for shares of Net Element Common Stock will enter into conversion agreements, pursuant to which all such outstanding securities of Net Element will be either terminated or converted into or exchanged or exercised for shares of Net Element Common Stock (in the case of outstanding Net Element stock options and warrants that are exercised, on a cashless basis); provided that certain option holders that received their options in lieu of compensation will have the ability to elect to terminate their options in exchange for cash in the amount of such compensation.

As a result of the business combination, former Net Element shareholders will own NEI Common Stock. Cazador intends to apply to list the NEI Common Stock on The NASDAQ Capital Market. There can be no assurance that the NEI Common Stock will be listed on The NASDAQ Capital Market.

For additional information on the business combination, see “The Business Combination” beginning on page 165, and for additional information on the merger agreement and the related transaction documents, see “The Merger Agreement” beginning on page 197.

The Proposed Cazador Domestication

As a condition to closing the merger pursuant to the terms of the merger agreement, Cazador intends to change its jurisdiction of incorporation from the Cayman Islands to Delaware, referred to as the Cazador domestication. To effect the Cazador domestication, Cazador will file a notice of de-registration with the Cayman Islands Registrar of Companies, together with the necessary accompanying documents, and file a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of Delaware, under which Cazador will be domesticated and continue as a Delaware corporation, at which time Cazador will change its name, in connection with the effectiveness of the merger, to “Net Element International, Inc.” The Cazador domestication requires the approval of the holders of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at the Cazador special meeting.

On the effective date of the Cazador domestication, each Cazador Ordinary Share that is issued and outstanding will automatically convert by operation of law into one share of NEI Common Stock. Similarly, outstanding options, warrants and other rights to acquire Cazador Ordinary Shares will become options, warrants or rights to acquire the corresponding shares of NEI Common Stock. It is not necessary for holders of Cazador Ordinary Shares who currently hold share certificates to exchange their existing share certificates for certificates of shares of NEI Common Stock. No other changes will be made to the terms of any outstanding options, warrants and other rights to acquire Cazador Ordinary Shares as a result of the Cazador domestication.

Merger Consideration Received by Net Element Shareholders

Pursuant to the terms of the merger agreement, upon completion of the merger, each share of then-issued and outstanding Net Element Common Stock (other than Net Element excluded shares, which will be cancelled upon effectiveness of the merger) will be automatically cancelled and converted into the right to receive the number of shares of NEI Common Stock equal to the Exchange Ratio. The Exchange Ratio initially is 0.025 shares of NEI Common Stock per share of Net Element Common Stock, which reflects a 147% premium over the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system of $0.10 per share on June 11,

2012. The Exchange Ratio is subject to adjustment to reflect appropriately the effect of any stock split, reverse stock split, stock dividend, extraordinary cash dividends, reorganization, recapitalization, reclassification, combination, exchange of shares or other like change. Notwithstanding the foregoing, to the extent a holder of Net Element Common Stock would receive fewer than 100 shares of NEI Common Stock as a result of the Exchange Ratio, Cazador shall have the right, exercisable in Cazador’s sole and absolute discretion, to issue to any such holder an additional number of shares of NEI Common Stock so that such holder receives, in the aggregate, 100 shares of NEI Common Stock in connection with the merger.

Net Element shareholders will not receive any fractional shares of NEI Common Stock in the merger. Instead, Cazador will issue one share of NEI Common Stock to each holder of Net Element Common Stock that would otherwise be entitled to a fraction of a share of NEI Common Stock.

A description of the NEI Common Stock to be issued as merger consideration is set forth under the section entitled "Description of NEI Securities" beginning on page 227.

Total Shares of NEI Common Stock to be Issued as Merger Consideration

Based on the number of fully diluted shares of Net Element Common Stock outstanding as of , 2012, the latest practicable date before the printing of this joint proxy statement/prospectus, the total number of shares of NEI Common Stock to be issued to holders of Net Element Common Stock as merger consideration will be approximately . Immediately following the completion of the business combination (without taking into account any shares of NEI Common Stock held by Net Element shareholders prior to the completion of the business combination), the former shareholders of Net Element are expected to own approximately 80.9% of the outstanding NEI Common Stock (or 65.6% of the outstanding NEI Common Stock calculated on a fully diluted basis) and the current holders of Cazador Ordinary Shares are expected to own approximately 19.1% of the outstanding NEI Common Stock (or 34.4% of the outstanding NEI Common Stock calculated on a fully diluted basis).

Comparative Per Share Market Price

The Cazador Ordinary Shares are listed on The NASDAQ Capital Market and trade under the symbol "CAZA." Cazador intends to apply to list the shares of NEI Common Stock on The NASDAQ Capital Market under the symbol "NETE." There can be no assurance that the NEI Common Stock will be listed on The NASDAQ Capital Market.

The Net Element Common Stock is quoted on the OTCQB electronic quotation system under the symbol "NETE."

The following table shows the closing prices of Cazador Ordinary Shares and Net Element Common Stock as reported on June 11, 2012, the last trading day before the business combination was publicly announced, and on , 2012, the last practicable trading day before the date of this joint proxy statement/prospectus. This table also shows the value of the merger consideration per share of Net Element Common Stock, which was calculated by multiplying (i) the closing price of Cazador Ordinary Shares as of the specified date by (ii) the quotient obtained by dividing (a) the aggregate number of shares of NEI Common Stock to be issued to holders of Net Element Common Stock by (b) the number of shares of Net Element Common Stock outstanding on a fully diluted basis upon effective time of the business combination.

Date	Net Element Common Stock	Cazador Ordinary Shares	Value Per Share of Net Element Common Stock
June 11, 2012	$ 0.10	$ 9.87	$ 0.2468
, 2012	$	$	$

The market prices of Cazador Ordinary Shares and Net Element Common Stock will fluctuate prior to the consummation of the business combination. You should obtain current market quotations for your shares.

Neither Cazador nor Net Element currently pays dividends on its common shares. Under the terms of the merger agreement, during the period before the effective times of the merger, Net Element is prohibited from paying any dividends on the Net Element Common Stock, unless Net Element has received prior written consent from Cazador.

Cazador Special Meeting

Date, Time and Place

A special meeting of the shareholders of Cazador will be held at on , 2012, at , Eastern time, unless the special meeting is adjourned or postponed.

Purposes of the Special Meeting

At the special meeting, Cazador shareholders will be asked to consider and vote upon the following matters and to transact such other business that may properly come before the meeting:

- the Cazador merger proposal; and

- the Cazador domestication proposal; and

- the proposal to approve the adjournment of the special meeting (if it is necessary or appropriate to solicit additional proxies because there are not sufficient votes to obtain the Cazador business combination approval).

Record Date; Shares Entitled to Vote

Holders of Cazador Ordinary Shares as of the close of business on , 2012, or the Cazador record date, are entitled to notice of, and to vote at, the special meeting or one or more adjournments thereof. Each Cazador Ordinary Share is entitled to one vote.

As of the Cazador record date, Cazador Ordinary Shares were outstanding and entitled to vote at the Cazador special meeting, of which were Public Cazador Ordinary Shares.

Vote Required

The Cazador Merger Proposal: The Cazador merger proposal requires the affirmative vote of holders of a majority of the Public Cazador Ordinary Shares outstanding and entitled to vote. Accordingly, a Cazador shareholder's failure to submit a proxy card or to vote in person at the special meeting, an abstention from voting, or the failure of a Cazador shareholder who holds his or her shares in "street name" through a broker or other nominee to give voting instructions to such broker or other nominee, will have the same effect as a vote "AGAINST" the Cazador merger proposal.

The Cazador Domestication Proposal: The Cazador domestication proposal requires the affirmative vote of holders of at least two-thirds of the Cazador Ordinary Shares outstanding and entitled to vote which attend and vote at the Cazador special meeting.

Proposal to Adjourn the Cazador Special Meeting by Cazador Shareholders: Approving the adjournment of the special meeting (if it is necessary or appropriate to solicit additional proxies because there are not sufficient votes to obtain the Cazador business combination approval) requires the affirmative vote of holders of a majority of the Cazador Ordinary Shares present, in person or represented by proxy, at the special meeting and entitled to vote on the adjournment proposal, regardless of whether a quorum is present. Accordingly, abstentions will have the same effect as a vote "AGAINST" the proposal to adjourn the special meeting, while broker non-votes and shares not in attendance at the special meeting will have no effect on the outcome of any vote to adjourn the special meeting.

Recommendation of the Cazador Board

The Cazador board has unanimously (i) approved the merger agreement and the consummation of the transactions contemplated thereby upon the terms and subject to the conditions set forth in the merger agreement; (ii) approved the Cazador domestication; (iii) determined that the terms of the merger are fair to, and in the best interests of, Cazador and its shareholders; (iv) directed that the merger agreement be submitted to Cazador shareholders for adoption; (v) recommended that Cazador shareholders vote in favor of each of the Cazador merger proposal and the Cazador domestication proposal and (vi) declared the advisability of the business combination.

THE CAZADOR BOARD UNANIMOUSLY RECOMMENDS THAT CAZADOR SHAREHOLDERS VOTE:

- "FOR" THE CAZADOR MERGER PROPOSAL;

- “FOR” THE CAZADOR DOMESTICATION PROPOSAL; AND

- “FOR” THE PROPOSAL TO APPROVE THE ADJOURNMENT OF THE SPECIAL MEETING (if it is necessary or appropriate to solicit additional proxies because there are not sufficient votes to obtain the Cazador business combination approval).

See “The Business Combination — Recommendation of the Cazador Board; Cazador’s Reasons for the Business Combination” beginning on page 172.

Net Element Special Meeting

Date, Time and Place

A special meeting of the shareholders of Net Element will be held at on , 2012, at , Eastern time, unless the special meeting is adjourned or postponed.

Purpose of the Special Meeting

At the special meeting, Net Element shareholders will be asked to consider and vote upon the following matters and to transact such other business that may properly come before the meeting:

- the Net Element merger proposal; and
- a proposal to approve the adjournment of the Net Element special meeting.

Record Date; Shares Entitled to Vote

Only holders of record of shares of Net Element Common Stock at the close of business on , 2012, or the Net Element record date, will be entitled to notice of, and to vote at, the special meeting or one or more adjournments thereof. Each outstanding share of Net Element Common Stock entitles its holder to cast one vote.

As of the Net Element record date, there were shares of Net Element Common Stock outstanding and entitled to vote at the Net Element special meeting.

Vote Required

The Net Element Merger Proposal: The Net Element merger proposal requires the affirmative vote of holders of a majority of the shares of Net Element Common Stock outstanding and entitled to vote. Accordingly, a Net Element shareholder's failure to submit a proxy card or to vote in person at the special meeting, an abstention from voting, or the failure of a Net Element shareholder who holds his or her shares in "street name" through a broker or other nominee to give voting instructions to such broker or other nominee, which we refer to as a broker non-vote, will have the same effect as a vote "AGAINST" the Net Element merger proposal.

Proposal to Adjourn the Net Element Special Meeting by Net Element Shareholders: Approving the adjournment of the special meeting (if it is necessary or appropriate to solicit additional proxies because there are not sufficient votes to obtain the Net Element business combination approval) requires the affirmative vote of holders of a majority of the shares of Net Element Common Stock present, in person or represented by proxy, at the special meeting and entitled to vote on the adjournment proposal. Accordingly, abstentions will have the same effect as a vote "AGAINST" the proposal to adjourn the special meeting, while broker non-votes and shares not in attendance at the special meeting will have no effect on the outcome of any vote to adjourn the special meeting.

Recommendation of the Net Element Board

The Net Element board (other than Mike Zoi, who did not participate in the vote) has unanimously (i) approved the merger agreement and the consummation of the transactions contemplated thereby upon the terms and subject to the conditions set forth in the merger agreement; (ii) determined that the terms of the business combination are fair to, and in the best interests of, Net Element and its shareholders; (iii) directed that the merger agreement be submitted to Net Element shareholders for adoption; and (iv) declared the advisability of the business combination.

THE NET ELEMENT BOARD RECOMMENDS THAT NET ELEMENT SHAREHOLDERS VOTE:

- "FOR" THE NET ELEMENT MERGER PROPOSAL; AND

- "FOR" THE PROPOSAL TO APPROVE THE ADJOURNMENT OF THE SPECIAL MEETING.

See "The Business Combination — Recommendation of the Net Element Board; Net Element's Reasons for the Business Combination" beginning on page 178.

Interests of Officers and Directors in the Business Combination

Certain of Net Element's and Cazador's executive officers and directors have financial interests in the business combination that are different from, or in addition to, the interests of Cazador's shareholders and Net Element's shareholders, other than the insider shareholders. For example, immediately prior to the effectiveness of the merger, the principal amounts of all outstanding convertible debt of Net Element owned by Enerfund (which is owned and controlled by Mike Zoi) will be converted into Net Element Common Stock, which will be converted into shares of NEI common stock in the merger and, immediately following the effectiveness of the merger, NEI will pay to Enerfund an amount, in cash, representing payment in full of all outstanding non-convertible loans, and accrued interest thereon, made by Enerfund to Net Element. The members of the Cazador board and the members of the Net Element board were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the transactions contemplated thereby and in recommending to Cazador and Net Element shareholders, respectively, that the merger agreement be approved and adopted. These interests are described in more detail in the sections of this document entitled "The Business Combination — Interests of Officers and Directors in the Business Combination" beginning on page 183.

Material U.S. Federal Income Tax Consequences

Material U.S. Federal Income Tax Consequences of the Merger

As a condition to the completion of the merger, each of Reed Smith, tax counsel to Cazador, and Bilzin, tax counsel to Net Element, must have delivered an opinion, dated the closing date of the merger, to the effect that the merger will be treated as a reorganization for U.S. federal income tax purposes within the meaning of Section 368(a) of the Code. Assuming that the merger qualifies as a reorganization, Net Element shareholders will not recognize any gain or loss for U.S. federal income tax purposes on the exchange of Net Element Common Stock for shares of NEI Common Stock in the merger.

The tax opinions regarding the merger will not address any state, local or foreign tax consequences of the merger. The opinions will be subject to customary qualifications and assumptions, including that the merger will be completed according to the terms of the merger agreement. In rendering the tax opinions, each counsel will require and rely on representations and statements of Net Element, Cazador and their affiliates, which will be delivered at the time of the closing of the merger. If any such assumption, representation or statement is or becomes inaccurate, the U.S. federal income tax consequences of the merger could be adversely affected.

An opinion of counsel represents such counsel's best legal judgment but is not binding on the IRS or any court. Neither Net Element nor Cazador intends to request any ruling from the IRS as to the U.S. federal income tax consequences of the merger. Consequently, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences described in this joint proxy statement/prospectus or any of the tax consequences described in the tax opinions.

Tax matters are very complicated, and the tax consequences of the merger to a particular shareholder will depend on such shareholder's circumstances. Accordingly, Cazador and Net Element urge you to consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of U.S. federal, state, local and foreign income and other tax laws. For a more complete discussion of the material U.S. federal income tax consequences of the merger, see "Material U.S. Federal Income Tax Consequences – Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 189.

Material U.S. Federal Income Tax Consequences of the Cazador Domestication

In the opinion of Reed Smith, tax counsel to Cazador, the Cazador domestication will constitute a reorganization within the meaning of Section 368(a)(l)(F) of the Code. Assuming that the Cazador domestication qualifies as a reorganization, U.S. holders (as defined in "Material U.S. Federal Income Tax Consequences" below) of Cazador Ordinary Shares will be subject to Section 367(b) of the Code and, as a result:

- A U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of less than $50,000 on the day of the Cazador domestication will not recognize any gain or loss and will not be required to include any part of the "all earnings and profits amount" in income.

- A U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of $50,000 or more but who on the day of the Cazador domestication owns (actually and constructively) less than 10% of the total combined voting power of all classes of Cazador Cayman shares entitled to vote generally will recognize gain (but not loss) on the exchange of Cazador Ordinary Shares for NEI Common Stock pursuant to the Cazador domestication. As an alternative to recognizing gain, however, a U.S. holder may elect to include in income as a dividend the "all earnings and profits amount," as the term is defined in Treasury Regulation Section 1.367(b)-2(d), attributable to the Cazador Ordinary Shares it directly owns, provided certain requirements are satisfied. Cazador does not expect that Cazador Cayman's cumulative earnings and profits will be greater than zero as of the day of the Cazador domestication.

- A U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of $50,000 or more, and who on the day of the Cazador domestication owns (actually and constructively) 10% or more of the total combined voting power of all classes of Cazador Cayman shares entitled to vote generally will be required to include in income as a dividend the “all earnings and profits amount,” as the term is defined in Treasury Regulation Section 1.367(b)-2(d), attributable to the Cazador Ordinary Shares it directly owns. However, Cazador does not expect that Cazador Cayman’s cumulative earnings and profits will be greater than zero as of the day of the Cazador domestication.

Cazador Cayman should be considered a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes. As a result, notwithstanding the foregoing U.S. federal income tax consequences of the Cazador domestication, proposed Treasury regulations under Section 1291(f) of the Code (which have a retroactive effective date), if finalized in their current form, generally would require a U.S. holder to recognize gain on the exchange of Cazador Ordinary Shares for NEI Common Stock pursuant to the Cazador domestication. The tax on any such gain so recognized would be imposed at the rate applicable to ordinary income and an interest charge would apply based on a complex set of computational rules designed to offset the tax deferral to such holders on the undistributed earnings, if any, of Cazador Cayman. However, we are unable to predict at this time whether, in what form, and with what effective date, final Treasury regulations under Section 1291(f) of the Code will be adopted. For a more complete discussion of the potential application of the PFIC rules to U.S. holders as a result of the Cazador domestication, see “Material U.S. Federal Income Tax Consequences – Material U.S. Federal Income Tax Consequences of the Cazador Domestication – Passive Foreign Investment Company Considerations” beginning on page 193.

Additionally, the Cazador domestication may cause non-U.S. holders (as defined in “Material U.S. Federal Income Tax Consequences” below) to become subject to U.S. withholding taxes on any dividends in respect of the shares of NEI Common Stock made subsequent to the Cazador domestication.

The tax opinion regarding the Cazador domestication will not address any state, local or foreign tax consequences of the Cazador domestication. The opinions will be subject to customary qualifications and assumptions, including that the Cazador domestication will be completed as described herein. In rendering the tax opinion, Reed Smith will require and rely on representations and statements of Cazador and their affiliates, which will be delivered at the time of the closing of the Cazador domestication. If any such assumption, representation or statement is or becomes inaccurate, the U.S. federal income tax consequences of the Cazador domestication could be adversely affected.

An opinion of counsel represents such counsel’s best legal judgment but is not binding on the IRS or any court. Cazador does not intend to request any ruling from the IRS as to the U.S. federal income tax consequences of the Cazador domestication. Consequently, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences set forth in this joint proxy statement/prospectus or any of the tax consequences described in the tax opinion.

Tax matters are very complicated, and the tax consequences of the Cazador domestication to a particular shareholder will depend on such shareholder's circumstances. Accordingly, Cazador urges you to consult your tax advisor for a full understanding of the tax consequences of the Cazador domestication to you, including the applicability and effect of U.S. federal, state, local and foreign income and other tax laws. For a more complete discussion of the material U.S. federal income tax consequences of the Cazador domestication, see "Material U.S. Federal Income Tax Consequences –Material U.S. Federal Income Tax Consequences of the Cazador Domestication" beginning on page 190.

Accounting Treatment

The Cazador Domestication

There will be no accounting effect or change in the carrying amount of the consolidated assets and liabilities of Cazador Cayman as a result of Cazador domestication. The business, capitalization, assets and liabilities and financial statements of Cazador will be the same upon effectiveness of the Cazador domestication as they are prior to the Cazador domestication.

The Merger

The merger will be accounted for as a reverse recapitalization, whereby Net Element will be the continuing entity for financial reporting purposes and will be deemed, for accounting purposes, to be the acquiror of Cazador. Following the closing of the merger; (i) the current shareholders of Net Element will hold a majority of the issued and outstanding shares of NEI Common Stock, on a fully diluted basis, and, therefore, will have voting control of NEI; (ii) the senior management of Net Element will be the majority of the senior management of NEI; (iii) the majority of the NEI board will be appointed by Net Element; and (iv) Net Element's operations will become the core business of the combined entity following completion of the merger.

Based on the above facts, the respective management of Cazador and Net Element believe that Cazador is not considered as the accounting acquiror, and therefore, the merger contemplated by the merger agreement will be accounted for as a reverse recapitalization. The accounting of the merger will be similar to that of a capital infusion, as the only significant pre-merger assets of Cazador consist of cash and cash equivalents. No intangible assets or goodwill will be recognized as a result of the merger; accordingly, Net Element will record the shares of NEI Common Stock issued in exchange for shares of Net Element Common Stock based on the carrying value of the assets and liabilities received as of the closing date of the merger.

Officers and Directors of NEI

Upon completion of the business combination, the following individuals have been designated as of the date of this joint proxy statement/prospectus to serve as directors and executive officers of NEI:

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Name	Age	Position
Mike Zoi	46	Non-Executive Chairman
Francesco Piovanetti	37	Chief Executive Officer & Director
Dmitry Kozko	28	President & Director
David P. Kelley II	54	Independent Director
James Caan	71	Independent Director
Kenges Rakishev	32	Independent Director
Felix Vulis	56	Independent Director
Alberto Hernandez	36	Chief Operating Officer
Jonathan New	52	Chief Financial Officer
Curtis Wolfe	48	Secretary
Richard Lappenbusch	44	Executive Vice President & Chief Strategy Officer
Ivan Onuchin	36	Chief Technology Officer

For more information on the new directors and management of NEI, see "Post-Merger NEI Executive Officers and Directors" beginning on page 210.

Listing of NEI Common Stock

The Cazador Ordinary Shares are listed on The NASDAQ Capital Market and trade under the symbol "CAZA." On , 2012, the latest practicable date before the printing of this proxy statement/prospectus, the last reported sale price of the Cazador Ordinary Shares on The NASDAQ Capital Market was $ per share. Cazador intends to apply to list the shares of NEI Common Stock on The NASDAQ Capital Market under the symbol "NETE." There can be no assurance that the NEI Common Stock will be listed on The NASDAQ Capital Market.

Comparison of Shareholder Rights

As a Result of the Cazador Domestication

The Cazador domestication will change Cazador's jurisdiction of incorporation from the Cayman Islands to Delaware and, as a result, Cazador's organizational documents will change and will be governed by the DGCL rather than Cayman Islands law. There are differences between the governing corporate law of Cazador Cayman and NEI. Additionally, there are differences between the new organizational documents of NEI and the current organizational documents of Cazador Cayman. For example, while the Cazador Cayman Charter contains provisions regarding "business combinations" and "interested shareholders" that will be substantially similar in effect to the provisions of Section 203 of the DGCL, the NEI bylaws will not contain provisions similar to the business combination provisions in the Cazador Cayman Charter. However, holders of NEI Common Stock will have substantially similar voting rights because NEI will be subject to the provisions of Section 203 upon effectiveness of the Cazador domestication. See "Comparison of Shareholder Rights" beginning on page 231. However, Cazador's business, assets and liabilities on a consolidated basis, as well as its principal business locations and fiscal year, will be the same upon completion of the Cazador domestication as they are prior to the Cazador domestication (following completion of the merger, Cazador will then change its principal business locations to those of Net Element).

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For a summary of the material differences among the rights of holders of NEI Common Stock and holders of Cazador Ordinary Shares, see “Comparison of Shareholder Rights” beginning on page 231.

As a Result of the Merger

As a result of the merger, the holders of Net Element Common Stock will become holders of NEI Common Stock. Following the merger, Net Element shareholders will have different rights as shareholders of NEI than they had as shareholders of Net Element due to the different provisions of the governing documents of NEI and Net Element.

For a summary of the material differences among the rights of holders of NEI Common Stock and holders of Net Element Common Stock, see “Comparison of Shareholder Rights” beginning on page 231.

SELECTED UNAUDITED PRO FORMA CONSOLIDATED COMBINED FINANCIAL INFORMATION

The following table shows summary unaudited pro forma consolidated combined financial information regarding the financial condition and results of operations of the combined company after giving effect to the business combination. The summary unaudited pro forma consolidated combined balance sheets as of March 31, 2012 combines the historical consolidated balance sheets of Cazador and Net Element giving effect to the business combination as if it had occurred on March 31, 2012. The summary unaudited pro forma consolidated combined statements of operations for the fiscal year ended December 31, 2011 and for the three months ended March 31, 2012 combine the historical consolidated statements of operations of Cazador and Net Element giving effect to the business combination as if it had occurred on January 1, 2011.

The summary unaudited pro forma consolidated combined financial information has been derived from and should be read in conjunction with the more detailed unaudited pro forma consolidated combined financial statements of the combined company included elsewhere in this joint proxy statement/prospectus and the accompanying notes to those unaudited pro forma consolidated combined financial statements. The summary unaudited pro forma condensed combined financial statements were based on and should be read in conjunction with the historical consolidated financial statements and related notes of Cazador and Net Element for the applicable periods, which have been included elsewhere in this joint proxy statement/prospectus.

The summary unaudited pro forma consolidated combined financial information has been prepared using two different assumptions: (i) that none of the holders of Cazador Ordinary Shares exercise their redemption rights under the Cazador Cayman Charter and (ii) that holders of 2,258,370, or approximately 49.09% of, Public Cazador Ordinary Shares exercise their redemption rights, which is the estimated maximum number of Public Cazador Ordinary Shares that may be redeemed whereby Cazador will continue have at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt), which is a condition to close the merger.

The summary unaudited pro forma consolidated combined financial information has been presented for informational purposes only and is not necessarily indicative of what the combined company's financial position or results of operations actually would have been had the business combination been completed as of the date indicated. In addition, the summary unaudited pro forma consolidated combined financial information does not purport to project the future financial position or operating results of the combined company. Also, as explained in more detail in the accompanying notes to the unaudited pro forma consolidated combined financial statements, the merger will be accounted for as a reverse recapitalization, whereby Net Element will be the continuing entity for financial reporting purposes and will be deemed, for accounting purposes, to be the acquiror of Cazador. Following the closing of the merger; (i) the current shareholders of Net Element will hold a majority of the issued and outstanding shares of NEI Common Stock, on a fully diluted basis, and, therefore, will have voting control of NEI; (ii) the senior management of Net Element will be the majority of the senior management of NEI; (iii) the majority of the NEI board will be appointed by Net Element; and (iv) Net Element's operations will become the core business of the combined entity following completion of the merger.

Therefore, in accordance with the applicable accounting guidance for a reverse capitalization, since Cazador is not determined to be the acquiror for accounting purposes, the accounting for the merger contemplated by the merger agreement will be similar to that of a capital infusion, as the only significant pre-merger assets of Cazador are cash and cash equivalents, which are already recognized by Cazador at fair value. No intangible assets or goodwill will be recognized as a result of the accounting for the merger. Net Element will record the shares of NEI Common Stock issued in exchange for shares of Net Element Common Stock based on the value of the assets and liabilities of Cazador as of the closing date of the merger.

Pro forma balance sheet data (in USD) – Unaudited	As of March 31, 2012	
	Assuming no redemptions (1)	Assuming minimum funds remaining (2)
Cash and cash equivalents	$42,269,880	$19,604,880
Total assets	43,974,595	21,309,595
Total liabilities	1,612,097	1,612,097
Total stockholders' equity	42,362,498	19,697,498

(1) Assumes that none of the holders of Cazador Ordinary Shares exercise their redemption rights under the Cazador Cayman Charter.

(2) Assumes that the holders of 2,258,370, or 49.09% of Public Cazador Ordinary Shares exercise their redemption rights, which is the estimated maximum number of Public Cazador Ordinary Shares that may be redeemed whereby Cazador will continue have at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt), pursuant to the merger agreement. These shares shall be redeemed at a price of $10.036 per share calculated as shown below.

Net proceeds placed in trust	$46,165,000
Add: Cumulative interest income	58,713
Less: Maximum allowable formation and operating costs	(58,713)
Total funds attributable to common shareholders	$46,165,000
Public shares outstanding	4,600,000
Estimated redemption value per share	$10.036

Pro forma statements of operations data (in USD) – Unaudited

(in USD)	Historical Net Element for the year ended December 31, 2011	Cazador for the year ended December 31, 2011	Year ended December 31, 2011 Adjustments	Assuming no redemptions (1)	Adjustments	Assuming minimum funds remaining (2)
Net Revenues	$ 183,179	$ -	$-	$ 183,179	$-	$ 183,179
Operating Expenses						
Cost of revenues	596,389	-	-	596,389	-	596,389
Formation and operating costs	-	715,827	-	715,827	-	715,827
Business development	385,714	-	-	385,714	-	385,714
General and administrative	23,831,750	-	-	23,831,750	-	23,831,750
Product development	113,159	-	-	113,159	-	113,159
Depreciation and amortization	311,939	-	-	311,939	-	311,939
Total operating expenses	25,238,951	715,827	-	25,954,778	-	25,954,778
Loss from operations	(25,055,772)	(715,827)	-	(25,771,599)	-	(25,771,599)
Non-operating expense						
Interest income (expense)	(171,319)	38,338	-	(132,981)	-	(132,981)
Other income (expense)	(45,942)	-	-	(45,942)	-	(45,942)
Loss before income tax provision	(25,273,033)	(677,489)	-	(25,950,522)	-	(25,950,522)
Income tax provision	-	-	-	-	-	-
Net loss from operations	(25,273,033)	(677,489)	-	(25,950,222)	-	(25,950,522)
Net loss attributable to the noncontrolling interest	419,933	-	-	419,933	-	419,933
Net loss	(24,853,100)	(677,489)	-	(25,530,589)	-	(25,530,589)

Other comprehensive income						
Foreign currency translation gain	(124)	-	-	(124)	-	(124)
Comprehensive loss	$(24,853,224)	$ (677,489)	$-	$(25,530,713)	$-	$(25,530,713)
Net loss per share - basic and diluted	$(0.03)	$ (0.12)		$(0.88)		$(0.95)
Weighted average number of common shares outstanding - basic and diluted	723,012,194	5,750,000	(699,680,024)	29,082,170	(701,938,394)	26,823,800

(in USD)	Historical Net Element for the three months ended March 31, 2012	Cazador for the three months ended March 31, 2012	Three months ended March 31, 2012 Adjustments	Assuming no redemptions (1)	Adjustments	Assuming minimum funds remaining (2)
Net Revenues	$74,810	$ -	$-	$74,810	$ -	$74,810
Operating Expenses						
Cost of revenues	100,585	-	-	100,585	-	100,585
Formation and operating costs	-	196,495	-	196,495	-	196,495
Business development	185,519	-	-	185,519	-	185,519
General and administrative	1,641,516	-	-	1,641,516	-	1,641,516
Product development	50,711	-	-	50,711	-	50,711
Depreciation and amortization	68,663	-	-	68,663	-	68,663
Total operating expenses	2,046,994	196,495	-	2,243,489	-	2,243,489
Loss from operations	(1,972,184)	(196,495)	-	(2,168,679)	-	(2,168,679)
Non-operating expense						
Interest income (expense)	(72,674)	6,292	-	(66,382)	-	(66,382)
Other income (expense)	(411,225)	-	-	(411,225)	-	(411,225)
Loss before income tax	(2,456,083)	(190,203)	-	(2,646,286)	-	(2,646,286)

provision						
Income tax provision	-	-	-	-	-	-
Net loss from operations	(2,456,083)	(190,203)	-	(2,646,286)	-	(2,646,286)
Net loss attributable to the noncontrolling interest	72,088	-	-	72,088	-	72,088
Net loss	(2,383,995)	(190,203)	-	(2,574,198)	-	(2,574,198)
Other comprehensive income						
Foreign currency translation gain	100	-	-	100	-	100
Comprehensive loss	$(2,383,895)	$(190,203)	$-	$(2,574,098)	$-	$(2,574,098)
Net loss per share - basic and diluted	$(0.00)	$(0.03)		$(0.09)		$(0.09)
Weighted average number of common shares outstanding - basic and diluted	752,792,562	5,750,000	(728,715,882)	29,826,680	(730,974,252)	27,568,310

(1) Assumes that none of the holders of Cazador Ordinary Shares exercise their redemption rights under the Cazador Cayman Charter.

(2) Assumes that the holders of 2,258,370, or 49.09% of Public Cazador Ordinary Shares exercise their redemption rights, which is the estimated maximum number of Public Cazador Ordinary Shares that may be redeemed whereby Cazador will continue have at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt), pursuant to the merger agreement.

COMPARATIVE PER SHARE DATA

The following table sets forth selected historical per share data for Cazador and Net Element and unaudited pro forma combined per share ownership information after giving effect to the business combination, assuming that no holders of Public Cazador Ordinary Shares exercise their redemption rights. Cazador is providing this information to assist you in your analysis of the financial aspects of the business combination. The historical information should be read in conjunction with “Selected Consolidated Historical Financial Data of Cazador,” and “Selected Consolidated Historical Financial Data of Net Element” included elsewhere in this joint proxy statement/prospectus and the historical consolidated and combined financial statements of Cazador and Net Element and the related notes thereto included elsewhere in this joint proxy statement/prospectus. The unaudited pro forma per share information is derived from, and should be read in conjunction with, the unaudited consolidated combined pro forma financial data and related notes included elsewhere in this joint proxy statement/prospectus.

The unaudited pro forma consolidated per share information does not purport to represent what the actual results of operations of Cazador and Net Element would have been had the business combination been completed or to project Cazador’s results of operations that may be achieved after the business combination. The unaudited pro forma book value per share information below does not purport to represent what the value of Cazador and Net Element would have been had the business combination been completed nor the book value per share for any future date or period.

Pro forma balance sheets data (in USD) - Unaudited

	As of December 31, 2011	As of March 31, 2012
Cazador Acquisition Corporation, Ltd. - Historical		
Loss per share from continuing operations:		
Basic and diluted	$(0.12)	$ (0.03)
Cash dividends declared per share	$-	$ -
Book value per share	$3.95	$ 3.91
Net Element, Inc.		
Loss per share from continuing operations:		
Basic and diluted	$(0.03)	$ -
Cash dividends declared per share	$-	$ -
Book value per share	$(0.01)	$ (0.01)

	As of December 31, 2011		As of March 31, 2012	
	Assuming no redemptions (1)	Assuming minimum funds remaining (2)	Assuming no redemptions (1)	Assuming minimum funds remaining (2)

Net Element International, Inc. - Unaudited Pro Forma Combined per Share Data				
Loss per share from continuing operations:				
Basic and diluted	$(0.88)	$(0.95)	$(0.09)	$(0.09)
Cash dividends declared per share (3)	-	-	-	-
Book value per share	N/A	N/A	$1.42	$0.71
Number of shares of common stock outstanding upon consummation of the business combination	30,164,579	27,906,209	30,164,579	27,906,209
Weighted average common shares outstanding	29,082,170	26,823,800	29,826,680	27,568,310

(1) Assumes that none of the holders of Cazador Ordinary Shares exercise their redemption rights under the Cazador Cayman Charter.

(2) Assumes that the holders of 2,258,370, or 49.09% of Public Cazador Ordinary Shares exercise their redemption rights, which is the estimated maximum number of Public Cazador Ordinary Shares that may be redeemed whereby Cazador will continue have at least $23.5 million of cash held in the trust account, pursuant to the merger agreement.

(3) Assumes that no cash amounts would have been distributed had the business combination taken place as of January 1, 2011.

MARKET PRICE AND DIVIDEND INFORMATION

The Cazador Ordinary Shares are listed on The NASDAQ Capital Market and trades under the symbol "CAZA." On June 11, 2012, which was the date immediately preceding the public announcement of the merger, the last reported sale price of the Cazador Ordinary Shares on The NASDAQ Capital Market was $9.87 per share. On , 2012, the latest practicable date before the printing of this proxy statement/prospectus, the last reported sale price of the Cazador Ordinary Shares on The NASDAQ Capital Market was $ per share. Cazador intends to apply to list the shares of NEI Common Stock on The NASDAQ Capital Market under the symbol "NETE." There can be no assurance that the NEI Common Stock will be listed on The NASDAQ Capital Market.

The Net Element Common Stock is quoted on the OTCQB electronic quotation system under the symbol "NETE." On June 11, 2012, which was the date immediately preceding the public announcement of the merger, the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system was $0.10 per share. On , 2012, the latest practicable date before the printing of this proxy statement/prospectus, the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system was $ per share.

The following table sets forth, for the periods indicated, the high and low sales prices per Cazador Ordinary Share and per share of Net Element Common Stock on The NASDAQ Capital Market and the OTCQB electronic quotation system, respectively.

Quarter Ended	Cazador Units		Cazador Common Stock		Cazador Warrants	
	Low	High	Low	High	Low	High
March 31, 2011	9.92	10.07	9.60	9.80	0.35	0.46
June 30, 2011	9.95	10.02	9.64	9.70	0.35	0.53
September 30, 2011	9.86	10.03	9.65	9.75	0.30	0.40
December 31, 2011	9.95	10.00	9.67	9.78	0.20	0.25
March 31, 2012	9.97	10.05	9.76	9.88	0.18	0.32

Quarter Ended	Net Element Common Stock	
	Low	High
March 31, 2012	0.15	0.40
December 31, 2011	0.03	0.60
September 30, 2011	0.01	1.05
June 30, 2011	0.06	0.55
March 31, 2011	0.01	0.55
December 31, 2010*	0.01	0.03
September 30, 2010*	0.01	0.09
June 30, 2010*	0.09	0.15

March 31, 2010*	0.15	0.15

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* Note: On November 11, 2010, the Net Element board adopted a resolution changing Net Element's fiscal year end from March 31 to December 31.

Neither Cazador nor Net Element has paid dividends on the Cazador Ordinary Shares or Net Element Common Stock, respectively, during 2012 or 2011, and neither company has any current intention of doing so.

RISK FACTORS

In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote or instruct your vote to be cast to approve the proposals described in this joint proxy statement/prospectus.

Risks Factors Relating to Cazador

Cazador may not be able to consummate an initial business combination within the required time frame, in which case, it would be forced to distribute the trust account proceeds and liquidate its trust account.

The Cazador Cayman Charter provides that if after 24 months (since the period to complete Cazador's business combination has been extended because it has, prior to April 14, 2012, entered into a non-binding letter of intent with respect to an initial business combination) from the consummation of Cazador's initial public offering, or October 14, 2012, it has not consummated an initial business combination, Cazador will be required to repurchase all of the Public Cazador Ordinary Shares and liquidate the trust account and distribute the proceeds pro rata to the holders of Public Cazador Ordinary Shares in return for such shares (which will be subsequently cancelled upon completion of the redemption of such shares). This provision may not be amended except with consent of 66.66% of the issued and outstanding Public Cazador Ordinary Shares voting in person or by proxy at a meeting in which the holders of 95% of the outstanding Public Cazador Ordinary Shares must be present in order to constitute a quorum.

Cazador will not complete the business combination if holders of Public Cazador Ordinary Shares, owning, in the aggregate, more than 49.9% of the Public Cazador Ordinary Shares, both vote against and exercise their shareholder redemption rights with respect to the business combination. Additionally, as per the terms of the merger agreement, the merger will not be consummated unless Cazador has at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt). Holders of Public Cazador Ordinary Shares will be able to redeem their shares up to the business day immediately prior to the vote on the proposals to approve the business combination.

If both the Cazador merger proposal and the Cazador domestication proposal are not approved by Cazador's shareholders, Cazador will not complete the business combination and may not be able to consummate an alternative business combination within the required time frame, either due to insufficient time or insufficient operating funds.

Cazador may have insufficient time or funds to complete an alternative business combination if the business combination is not approved by Cazador's shareholders or the business combination is otherwise not completed.

Cazador must complete its initial business combination by October 14, 2012. If each of the Cazador merger proposal and the Cazador domestication proposal is not approved by Cazador's shareholders, Cazador will not complete the business combination and may not be able to consummate an alternative business combination within the required time frame, either due to insufficient time or insufficient operating funds. In addition, Cazador's negotiating position and Cazador's ability to conduct adequate due diligence on any potential target may be reduced as the deadline for the consummation of a business combination approaches.

If Cazador is forced to liquidate its trust account before the completion of an initial business combination and distribute the trust account, holders of Public Cazador Ordinary Shares may receive less than $10.00 per share and Cazador’s warrants may expire worthless.

If Cazador fails to complete an initial business combination prior to October 14, 2012, it will notify the holders of Public Cazador Ordinary Shares that it will compulsorily repurchase all Public Cazador Ordinary Shares using the proceeds in the trust account.

In these circumstances, the per-share repurchase distribution may be less than $10.00 because of the expenses of Cazador’s initial public offering, Cazador’s general and administrative expenses and the anticipated costs of seeking an initial business combination. Cazador’s Sponsor and its beneficial owners will not have shareholder redemption rights with respect to any Cazador Ordinary Shares owned by them, directly or indirectly, including Cazador Ordinary Shares purchased by them in Cazador’s initial public offering or in the secondary market. If Cazador is unable to conclude its initial business combination, the actual per-share redemption price will be equal to the aggregate amount then in the trust account, and including accrued interest, net of any interest income on the trust account balance required for Cazador to pay its tax obligations incurred and net of interest income of up to $2.0 million previously released to Cazador to fund its working capital requirements (calculated as of two business days prior to the consummation of the business combination), divided by the number of Public Cazador Ordinary Shares. As of June 11, 2012, the per-share redemption price would be approximately $10.036. Furthermore, there will be no distribution with respect to Cazador’s outstanding warrants.

Cazador may proceed with the business combination only if it has at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt).

The Cazador Cayman Charter requires Cazador to provide all of Cazador’s shareholders with an opportunity to redeem all of their shares in connection with the consummation of any initial business combination. Under the Cazador Cayman Charter, Cazador may proceed with an initial business combination even if holders of Public Cazador Ordinary Shares, owning, in the aggregate, up to 49.9% of the Public Cazador Ordinary Shares (minus one Public Cazador Ordinary Share) exercise their redemption rights. Notwithstanding the foregoing, however, as per the terms of the merger agreement, the merger will not be consummated unless Cazador has at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and pay-off of related party debt). If more than approximately 49.09% of the outstanding Public Cazador Ordinary Shares exercise their redemption rights, the trust account would have less than $23.5 million of cash. Consequently, despite the provisions of the Cazador Cayman Charter, if approximately 49.09% or more of the outstanding Public Cazador Ordinary Shares exercise their redemption rights, Cazador would not proceed with such redemption, would not close the merger and may instead search for an alternate business combination. See also the risk factor above titled “Cazador may have insufficient time or funds to complete an alternative business combination if the business combination is not approved by Cazador’s shareholders or the business combination is otherwise not completed."

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A holder of Public Cazador Ordinary Shares, together with any affiliate of his or any other person with whom he is acting in concert or as a partnership, syndicate or other group for the purpose of acquiring, holding or disposing of Cazador Cayman's securities, will be prohibited from exercising shareholder redemption rights with respect to more than 10% of the Public Cazador Ordinary Shares.

In connection with the shareholder approval of the business combination, Cazador is offering each holder of Public Cazador Ordinary Shares the right to have such holder's shares redeemed into cash if such holder either (i) votes against the business combination and timely exercises such redemption right or (ii) votes in favor of the business combination but elects to exercise such shareholder's right to redeem. Notwithstanding the foregoing, as set forth in the Cazador Cayman Charter, a holder of Public Cazador Ordinary Shares, together with any affiliate of his or any other person with whom he is acting in concert or as a partnership, syndicate or other group for the purpose of acquiring, holding or disposing of Cazador Cayman's securities, will be prohibited from exercising shareholder redemption rights with respect to more than 10% of the Public Cazador Ordinary Shares. Accordingly, if holders of Public Cazador Ordinary Shares, alone or as part of such a partnership, syndicate or group, hold more than 10% of the Public Cazador Ordinary Shares, such shareholders will not be able to seek redemption rights with respect to the full amount of the Public Cazador Ordinary Shares held by them and may be forced to hold such additional shares or sell them in the open market. Cazador cannot assure you that the value of such additional shares will appreciate over time or that the market price of your Public Cazador Ordinary Shares will exceed the per-share redemption price.

Subsequent to Cazador's consummation of the business combination, Cazador may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on Cazador's financial condition, results of operations and Cazador's stock price, which could cause you to lose some or all of your investment.

Although Cazador has conducted extensive due diligence on Net Element, Cazador cannot assure you that this diligence revealed all material issues that may be present in Net Element's business, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of Net Element's and Cazador's control will not later arise. As a result, Cazador may be forced to later write-down or write-off assets, restructure its operations, or incur impairment or other charges that could result in losses. Even if Cazador's due diligence successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with Cazador's preliminary risk analysis. Even though these charges may be non-cash items and not have an immediate impact on Cazador's liquidity, the fact that Cazador reports charges of this nature could contribute to negative market perceptions about Cazador or its securities.

If third parties bring claims against Cazador, the proceeds held in the trust account could be reduced and the per-share price from the liquidation of the trust account received by holders of Public Cazador Ordinary Shares may be less than $10.00.

Cazador's placing of funds in the trust account may not protect those funds from third party claims against Cazador. Although Cazador seeks to have all vendors and service providers it engages, and prospective target businesses with which it negotiates, and other entities with which it does business, execute agreements waiving any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of holders of Public Cazador Ordinary Shares, there is no guarantee that they will execute such agreements and the execution of such an agreement is not a condition to Cazador's doing business with anyone. Furthermore, there is no guarantee that, even if such entities execute such agreements with Cazador, they will not seek recourse against the trust account, nor is there any guarantee that such entities will agree to waive any claims they may have in the future as a result of, or arising out of, any negotiations, contracts or agreements with Cazador and will not seek recourse directly or indirectly against the trust account for any reason. There is also no guarantee that a court would uphold the validity of such agreements. Further, Cazador could be subject to claims from parties not in contract with Cazador who have not executed a waiver, such as a third party claiming tortious interference as a result of the proposed business combination.

Accordingly, the proceeds held in trust could be subject to claims which could take priority over those of holders of Public Cazador Ordinary Shares and, as a result, the per-share price from the liquidation of the trust account could be less than $10.00 due to claims of such creditors. If Cazador distributes amounts held in trust to holders of Public Cazador Ordinary Shares pursuant to the exercise of shareholder redemption rights in connection with the business combination, or if Cazador liquidates the trust account before the completion of its initial business combination, each of Cazador's Sponsor and Cazador's management, Arco Capital Management LLC, or ACM, has agreed that it will be jointly and severally liable, by means of direct payment to the trust account, to ensure that the amount in the trust account is not reduced by the claims of target businesses or claims of vendors or other entities that are owed money by Cazador for services rendered or contracted for or products sold to Cazador. However, there will be no liability (1) as to any claimed amounts owed to a third party who executed a legally enforceable waiver or (2) as to any claims under Cazador's indemnity of the underwriters of Cazador's initial public offering against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or the Securities Act. Based upon representations from Cazador's Sponsor that it will have sufficient funds available to satisfy its indemnification obligations to Cazador, Cazador believes that the Sponsor and ACM will be able to satisfy any indemnification obligations that may arise given the limited nature of the obligations. Cazador has questioned the Sponsor with respect to its financial net worth and reviewed its financial information and believes that the Sponsor will be able to satisfy any indemnification obligations that may arise. However, Cazador cannot assure you that they will be able to satisfy those obligations. Therefore, Cazador cannot assure you that the per-share distribution from the trust account, if Cazador liquidates the trust account, will not be less than $10.00, plus interest, due to such claims.

Additionally, if Cazador becomes insolvent or a petition to wind up Cazador is filed against it which is not dismissed, the proceeds held in the trust account could be subject to applicable Cayman Islands insolvency law, and may be included in Cazador's insolvent estate and subject to the claims of third parties with priority over the claims of holders of Public Cazador Ordinary Shares (including claims of holders of Public Cazador Ordinary Shares for amounts owed to them as a result the redemption or repurchase of Public Cazador Ordinary Share). To the extent any insolvency claims deplete the trust account, Cazador cannot assure you that it will be able to return to holders of Public Cazador Ordinary Shares at least $10.00 per share.

Cazador's shareholders may be held liable for claims by third parties against Cazador to the extent of distributions received by them.

If Cazador fails to complete an initial business combination prior to October 14, 2012, it will notify holders of Public Cazador Ordinary Shares that it will compulsorily repurchase all Public Cazador Ordinary Shares using the proceeds in the trust account.

To the extent any claims deplete the trust account, Cazador cannot assure you that it will be able to return to holders of Public Cazador Ordinary Shares at least $10.00 per share. In addition, under certain limited circumstances, distributions received by holders of Public Cazador Ordinary Shares could be viewed by applicable laws (including insolvency laws and certain equitable and/or restitution principles) as either fraudulent transfers or mistaken or otherwise wrongful payments. In those circumstances, a Cayman Islands court could order that amounts received by holders of Public Cazador Ordinary Shares be repaid to Cazador.

Because Cazador is currently incorporated under the laws of the Cayman Islands, holders of Cazador Ordinary Shares may face difficulties in protecting their interests, and their ability to protect their rights through the U.S. Federal courts may be limited.

Cazador is a company incorporated under the laws of the Cayman Islands. In addition, some of its directors and officers are nationals or residents of jurisdictions other than the U.S. and all or a substantial portion of their assets are located outside the U.S. As a result, it may be difficult for investors to effect service of process within the U.S. upon Cazador's directors or executive officers, or enforce judgments obtained in the U.S. courts against Cazador's directors or officers.

Cazador's corporate affairs are currently governed by the Cazador Cayman Charter (which is included as Annex B to this joint proxy statement/prospectus and incorporated by reference), the Companies Law (2011 Revision) of the Cayman Islands and other statutes (as the same may be supplemented or amended from time to time) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders (including shareholder derivative actions) and the fiduciary responsibilities of Cazador's directors to Cazador under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the decisions of whose courts are of persuasive authority, but are not binding on a court in the Cayman Islands. The rights of Cazador's shareholders and the fiduciary responsibilities of Cazador's directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the U.S. Moreover, the Cayman Islands has a less prescriptive body of securities laws as compared to the U.S., and some states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the U.S.

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the U.S., the courts of the Cayman Islands will recognize a foreign judgment as the basis for a claim at common law in the Cayman Islands provided such judgment:

- is given by a foreign court of competent jurisdiction;
- imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;
- is final;
- is not in respect of taxes, a fine or a penalty; and
- was not obtained in a manner and is not of a kind the enforcement of which is contrary to the public policy of the Cayman Islands.

As a result of all of the above, holders of Public Cazador Ordinary Shares may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a U.S. company. Prior to the effectiveness of the merger, Cazador intends to change its jurisdiction of incorporation from the Cayman Islands to Delaware by effecting the Cazador domestication. However, there can be no assurance that the Cazador domestication will be approved by Cazador's shareholders.

If Cazador is deemed to be a taxpayer in a particular jurisdiction, it may increase Cazador's tax liability.

Due to Cazador's activities spanning several countries, there is the possibility that it may be deemed to be taxable in a given jurisdiction, which may increase its tax liability, reduce its after-tax income and reduce the amount held in the trust account.

Cazador's working capital will be reduced if holders of Public Cazador Ordinary Shares exercise their right to redeem their shares for cash, which reduced working capital may adversely affect Cazador's business and future operations.

Pursuant to the Cazador Cayman Charter, Cazador is offering each holder of Public Cazador Ordinary Shares the right to have such holder's shares redeemed into cash if such holder either (i) votes against the business combination and timely exercises such redemption right or (ii) votes in favor of the business combination but elects to exercise such shareholder's right to redeem. Cazador's Sponsor and its beneficial owners will not have shareholder redemption rights with respect to any Cazador Ordinary Shares owned by them, directly or indirectly, including Cazador Ordinary Shares purchased by them in Cazador's initial public offering or in the secondary market. The actual per-share redemption price will be equal to the aggregate amount then in the trust account, and including accrued interest, net of any interest income on the trust account balance required for Cazador to pay its tax obligations incurred and net of interest income of up to $2.0 million previously released to Cazador to fund its working capital requirements (calculated as of two business days prior to the consummation of the business combination), divided by the number of Public Cazador Ordinary Shares.

If the amount remaining in the trust account after any redemptions is insufficient to fund Cazador's working capital requirements, Cazador would need to seek to borrow funds necessary to satisfy such requirements. Cazador cannot assure you that such funds would be available to Cazador on terms favorable to it or at all. If such funds were not available to Cazador, it may adversely affect Cazador's operations and profitability.

Cazador may only be able to complete one business combination with the proceeds of its initial public offering, which will cause Cazador to be solely dependent on a single business which may have a limited number of products or services.

Cazador's initial business combination must be with one or more target businesses having an aggregate fair market value of at least 80% of the balance in the trust account at the time of such acquisition plus any amounts previously distributed to shareholders who have exercised their shareholder redemption rights. However, Cazador may not be able to acquire more than one target business because of various factors, including the existence of complex accounting issues and the requirement that Cazador prepare and file pro forma financial statements with the SEC that present operating results and the financial condition of several target businesses as if they had been operated on a combined basis. Because Cazador's only contemplated business combination is a merger with a single entity, Net Element, Cazador may not be able to diversify its operations or benefit from the possible spreading of risks or offsetting of losses, unlike other entities which may have the resources to complete several business combinations in different industries or different areas of a single industry. Accordingly, the current prospects for Cazador's success will be solely dependent upon the performance of a single business, Net Element.

Cazador's lack of diversification may further subject it to numerous economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact upon Net Element's business and may expose Cazador to higher risk than other entities that have the resources to complete several business combinations or that have diversified operations.

Risks Factors Relating to Net Element

Net Element's financial condition creates doubt whether it will continue as a going concern. If Net Element does not continue as a going concern, investors may lose their entire investment.

Since Net Element's inception, it has incurred significant operating losses, and, as of March 31, 2012, Net Element had an accumulated deficit of approximately $53.7 million and a working capital deficit of approximately $2.1 million. Net Element incurred net losses totaling $2.4 million for the three months ended March 31, 2012 and $24.9 million for the year ended December 31, 2011. While Net Element believes it has sufficient capital resources to fund its current operations through most of the third fiscal quarter of 2012, it will require additional capital to develop its business operations. Net Element has historically been dependent upon TGR Capital, LLC, Enerfund, LLC and its Chairman and Chief Executive Officer, Mike Zoi (as a result of his controlling interests in TGR Capital, LLC and Enerfund, LLC), to fund Net Element's operations and Net Element is exploring additional sources of financing in order to meet its financial requirements. As of the date of this joint proxy statement/prospectus, management of Net Element expects that its cash flows from operations and remaining proceeds from a $2 million investment in Net Element by Igor Yakovlevich Krutoy, which was received on June 6, 2012, will be sufficient to meet Net Element's financial requirements through most of the third fiscal quarter of 2012. Net Element currently believes that it will require an additional $3.7 million in financing to continue operations as currently conducted and to pay for currently anticipated capital expenditures over the next 12 months. Additional funds may be raised through debt financing and/or the issuance of equity securities, there being no assurance that any type of financing on terms satisfactory to Net Element will be available or otherwise occur. Debt financing must be repaid regardless of whether Net Element generates revenues or cash flows from operations and may be secured by substantially all of Net Element's assets. Any equity financing or debt financing that requires the issuance of equity securities or warrants to the lender would cause the percentage ownership by Net Element's current stockholders to be diluted, which dilution may be substantial. Also, any additional equity securities issued may have rights, preferences or privileges senior to those of existing stockholders. If such financings are not available when required or are not available on acceptable terms, Net Element may be unable to implement its business plans or take advantage of business opportunities, any of which could have a material adverse effect on Net Element's business, financial condition, results of operations and/or prospects and may ultimately require Net Element to suspend or cease operations, which could cause investors in Net Element to lose the entire amount of their investment.

Net Element has a limited operating history upon which an evaluation of its prospects can be made. For that reason, it would be difficult for a potential investor to judge Net Element's prospects for success.

Since April 1, 2010, Net Element has pursued a strategy to develop and acquire applications, services and technologies for use in its Internet media products and services. Net Element completed its first significant acquisition in furtherance of that strategy on December 14, 2010. There can be no assurance that Net Element's future proposed operations will be implemented successfully or that it will ever have profits. If Net Element is unable to successfully develop its operations, holders of Net Element Common Stock may lose their entire investment. Net Element faces all of the risks inherent in a new business, including the expenses, difficulties, complications and delays frequently encountered in connection with conducting operations, including the need for significant additional capital requirements and management's potential underestimation of initial and ongoing costs. As a new business, Net Element may encounter delays and other problems in connection with developing its Internet websites, technologies and operations. Net Element also faces the risk that it may not be able to effectively implement its business plans and strategies. In evaluating Net Element's business and prospects, these difficulties should be considered. If Net Element is not effective in addressing these risks, it will not operate profitably and it may not have adequate working capital to meet its obligations as they come due.

Net Element's management has identified continued material weaknesses in its internal controls as of December 31, 2011, which, if not properly remedied, could result in material misstatements in Net Element's financial statements.

A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of Net Element's annual or interim financial statements will not be prevented or detected on a timely basis. As described in Item 9A of Net Element's Annual Report on Form 10-K for the year ended December 31, 2011, Net Element's management has identified the following material weaknesses in its internal control over financial reporting as of December 31, 2011: (i) inadequate written policies and procedures; (ii) inadequate segregation of duties related to job responsibilities for initiating, authorizing, and recording of certain transactions; (iii) Net Element does not have a functioning audit committee; (iv) Net Element has deficiencies in its testing of internal controls; (v) Net Element has limited financial personnel, information technology infrastructure and other resources; and (vi) Net Element's management has limited ability to monitor the design and operating effectiveness of Net Element's internal controls. These material weaknesses impede the ability of Net Element's management to implement remedial measures and oversee Net Element's internal control over financial reporting on a consistent basis. Net Element's management intends to focus its remediation efforts in the near term on installing a new financial system and documenting formal policies and procedures surrounding transaction processing, period-end account analyses and providing for additional review and monitoring procedures and periodically assess the need for additional accounting resources as Net Element's business develops and resources permit. If Net Element is not able to adequately address the material weaknesses in its internal controls, it is possible that a material misstatement of Net Element's annual or interim financial statements will not be timely prevented or detected. Any failure in preventing or detecting a material misstatement of Net Element's annual or interim financial results could have a material adverse effect on Net Element's stock price and on Net Element's results of operations, could make it more difficult for Net Element to obtain additional financing as needed and could have additional material adverse consequences.

Net Element relies on traffic to its Internet websites from search engines like Google, Yahoo! and Bing. If Net Element's websites fail to rank prominently in unpaid search results, traffic to Net Element's websites could decline (or may not increase to the extent desired), which could adversely affect Net Element's business prospects.

Net Element's success depends in part on its ability to attract users of its websites through unpaid Internet search results on search engines like Google, Yahoo! and Bing. The number of users Net Element attracts to its websites from search engines is due in large part to how and where its websites rank in unpaid search results. These rankings can be affected by a number of factors, many of which are not in Net Element's direct control, and they may change frequently. For example, a search engine may change its ranking algorithms, methodologies or design layouts. As a result, links to Net Element's websites may not be prominent enough to drive traffic to such websites, and Net Element may not know how to, or otherwise be in a position to, influence the results. In some instances, search engine companies may change these rankings in order to promote their own competing products or services or the products or services of one or more of Net Element's competitors. Net Element's websites have experienced fluctuations in search result rankings in the past, and Net Element anticipates fluctuations in the future. Any reduction in the number of users directed to Net Element's websites (or failure to increase the number of users directed to such websites) could adversely affect Net Element's business prospects and results of operations.

Failure by Net Element to generate and maintain sufficient high quality content on its websites may negatively affect the amount of traffic to those websites and, as a result, adversely affect Net Element's revenue and business prospects.

Net Element's success depends on its ability to provide consumers with high quality content on its websites. However, Net Element may not be able to provide users the information they seek if the information on Net Element's websites is not up-to-date. If Net Element is unable to provide consumers with the information they seek, or if they can find equivalent content on other websites or publications, they may stop or reduce their use of Net Element's websites or Net Element may not be able to increase their use of Net Element's websites. If Net Element's user traffic declines, Net Element may have more difficulty attracting third parties to advertise on such websites, which would negatively affect Net Element's revenue and business prospects.

If Net Element fails to increase the number of advertisers on its websites, Net Element's revenue and business prospects will be harmed.

In the year ended December 31, 2011, substantially all of Net Element's revenues were generated by the sale of premium services (subscription and pay per view fees), licensing fees (primarily from Launchpad) and advertising. However, in the future, Net Element plans to increasingly generate most of its revenues from advertising. As a result, Net Element's ability to grow its business depends on its ability to maintain and expand its base of viewers and advertisers on its websites. To do so, Net Element must convince prospective advertisers of the benefits of Net Element's product and services offerings, including those who may not be familiar with Net Element's products or services. Net Element must also convince existing and prospective advertisers alike that Net Element's advertising products and services will benefit them. Many of these businesses may be more accustomed to using more traditional methods of advertising, such as newspapers, magazines or print yellow pages directories. Failure to maintain and expand Net Element's base of advertisers on Net Element's websites could harm Net Element's revenue and business prospects.

Net Element may experience attrition in its advertisers in the ordinary course of business resulting from several factors, including losses to competitors, lower priced competitors, perceptions that Net Element's advertising solutions are unnecessary or ineffective, declining advertising budgets, closures and bankruptcies. If Net Element's advertisers increase their rates of non-renewal or if Net Element experiences significant advertiser attrition or contract breach, or if Net Element is unable to attract new advertisers in numbers greater than the number of advertisers that it loses, Net Element's client base will decrease and Net Element's business prospects, financial condition and results of operations would be negatively affected.

Net Element expects to face increased competition in the market for attracting advertisers to its websites.

The market for attracting advertisers on Internet websites is intensely competitive and rapidly changing. With the ongoing emergence of new technologies and market entrants, competition is likely to intensify in the future. Net Element's competitors include, among others, offline media companies and service providers; newspaper, television, and other media companies; Internet search engines, such as Google, Yahoo! and Bing; and various other online service providers. Net Element's competitors may enjoy competitive advantages, such as greater name recognition, longer operating histories, substantially greater market share, larger existing user bases and substantially greater financial, technical and other resources. Net Element's competitors may use these advantages to offer products or services similar to those of Net Element at a lower price, develop different products or services to compete with Net Element's current solutions and respond more quickly and effectively than Net Element does to new or changing opportunities, technologies, standards or client requirements. In particular, major Internet companies, such as Amazon, Google, Facebook, Yahoo! and Microsoft may be more successful than Net Element in developing and marketing online advertising offerings, and many of Net Element's advertisers and potential advertisers may choose to purchase online advertising services from these or other competitors and may reduce their purchases of Net Element's products and services. In addition, many of Net Element's current and potential competitors have established marketing relationships with and access to larger client bases. As the market for online advertising increases, new competitors, business models and solutions are likely to emerge. For all of these reasons, Net Element may be unable to grow or maintain the number of businesses that use its advertising solutions, in which case its business prospects, financial condition and results of operations will be negatively affected.

If Net Element fails to adequately protect or enforce its intellectual property rights, competitors may create and market products and services similar to those of Net Element. In addition, Net Element may be subject to intellectual property litigation and infringement claims by third parties.

Net Element's ability to compete effectively is dependent in part upon the proprietary nature of its technologies and software platform. Net Element generally intends to rely on a combination of trade secret, copyright, trademark and patent law to protect its proprietary rights in its intellectual properties. Net Element has applied for patents and it owns trademarks through its wholly-owned subsidiary, NetLab Systems IP LLC, and certain of its operating subsidiaries have license arrangements to use those inventions, technologies and services. Although Net Element attempts to protect its proprietary technologies through trade secrets, patents, trademarks and license and other agreements, these may be insufficient. In addition, if Net Element licenses its software to non-U.S. countries, because of differences in foreign laws concerning proprietary rights, Net Element's intellectual properties may not receive the same degree of protection in non-U.S. countries as they would in the United States. Although Net Element's subsidiaries and other customers will utilize Net Element's proprietary software in object code form, no assurance can be given that unauthorized third parties will not be able to copy such software. Net Element may not always be able to successfully protect or enforce its proprietary properties against competitors, which may materially adversely affect Net Element's business prospects, financial condition and results of operations. In addition, there can be no assurance that Net Element's competitors will not independently utilize existing technologies to develop products that are substantially equivalent or superior to those of Net Element, which also could materially adversely affect Net Element's business prospects, financial condition and results of operations.

In addition, although Net Element does not believe that its intellectual properties infringe the rights of others and while to date Net Element has not been subject to such claims, it may be exposed to, or threatened with, future litigation by other parties alleging that Net Element's technologies infringe their intellectual property rights. Any intellectual property claims, regardless of their merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination in any intellectual property claim could require Net Element to pay damages and/or stop using its technologies and other material found to be in violation of another party's rights and could prevent Net Element from licensing its technologies to others. In order to avoid these restrictions, Net Element may have to seek a license. Such a license may not be available on reasonable terms, could require Net Element to pay significant license fees and may significantly increase Net Element's operating expenses. A license also may not be available to Net Element at all. As a result, Net Element may be required to use and/or develop non-infringing alternatives, which could require significant effort and expense. If Net Element cannot obtain a license or develop alternatives for any infringing aspects of its business, it may be forced to limit its technologies and may be unable to compete effectively. Any of these adverse consequences could have a material adverse effect on Net Element's business prospects, financial condition and results of operations.

Further, from time to time Net Element may be engaged in disputes regarding the licensing of its intellectual property rights, including matters related to the terms of its licensing arrangements. These types of disputes can be asserted by Net Element's licensees or prospective licensees or by other third parties as part of negotiations with Net Element or in private actions seeking monetary damages or injunctive relief or in regulatory actions. Requests for monetary and injunctive remedies asserted in claims like these could be material and could have a significant impact on Net Element's business prospects. Any disputes with Net Element's licensees, potential licensees or other third parties could materially adversely affect Net Element's business prospects, financial condition and results of operations.

Acquisition activities could result in operating difficulties, dilution to Net Element's shareholders and other harmful consequences.

Net Element has built its current business primarily through acquisitions of intellectual property and other assets. Net Element intends to selectively pursue strategic acquisitions in the future. Future acquisitions could divert management's time and focus from operating Net Element's business. In addition, integrating an acquired company, business or technology is risky and may result in unforeseen operating difficulties and expenditures. Foreign acquisitions also involve unique risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.

Net Element may not accurately assess the value or prospects of acquisition candidates, and the anticipated benefits from Net Element's future or even past acquisitions may not materialize. In addition, future acquisitions or dispositions could result in potentially dilutive issuances of Net Element's equity securities, including Net Element Common Stock, the incurrence of debt, contingent liabilities or amortization expenses, or write-offs of goodwill, any of which could negatively affect Net Element's financial condition.

Poor perception of Net Element's brand, business or industry could harm its reputation and adversely affect its business prospects, financial condition and results of operations.

Net Element's business is dependent on attracting a large number of visitors to its owned and operated websites, which depends in part on its reputation within the industry and with consumers. Because Net Element's business is transforming traditional content creation and distribution models and is therefore not easily understood by casual observers, Net Element's brand, business and reputation is vulnerable to poor perception. For example, perception that the quality of Net Element's content may not be the same or better than that of other published Internet content, even if baseless, can damage Net Element's reputation. Net Element may be the subject of unflattering reports in blogs, video blogs and the media about its business and its business model. While disruptive businesses are often criticized early on in their life cycles, Net Element believes its business may be more frequently targeted than most because of the nature of the business it is disrupting—namely the traditional broadcast, print and publication media. Any damage to Net Element's reputation could harm Net Element's ability to attract and retain advertisers, customers and freelance content creators, which could materially adversely affect its results of operations, financial condition and business.

The expansion of Net Element's owned and operated websites into new areas of consumer interest, products, services and technologies subjects it to additional business, legal, financial and competitive risks.

An important element of Net Element's business strategy is to grow its network of owned and operated websites to cover new areas of consumer interest, expand into new business lines and develop additional services, products and technologies. In directing its focus into new areas, Net Element faces numerous risks and challenges, including increased capital requirements, long development cycles, new competitors and the requirement to develop new strategic relationships. Net Element cannot assure you that its strategy will result in increased net revenues or net income. Furthermore, growth into new areas may require changes to Net Element's existing business model and cost structure, modifications to its infrastructure and exposure to new regulatory and legal risks, any of which may require expertise in areas in which Net Element has little or no experience. If Net Element cannot generate revenue as a result of its expansion into new areas that are greater than the cost of such expansion, Net Element's operating results could be adversely affected.

Net Element may not timely and effectively scale and adapt its existing technology and network infrastructure to ensure that its websites are accessible.

It is important to Net Element's success that users in all geographies be able to access Net Element's websites at all times. Net Element has previously experienced, and may experience in the future, service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing Net Element's platform simultaneously, and denial of service or fraud or security attacks. In some instances, Net Element may not be able to identify the cause or causes of these performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve the availability of Net Element's websites, especially during peak usage times and as Net Element's solutions become more complex and Net Element's user traffic increases. If Net Element's websites are unavailable when users attempt to access them or they do not load as quickly as they expect, users may seek other services to obtain the information for which they are looking, and may not return to Net Element's websites as often in the future, or at all. This would negatively impact Net Element's ability to attract users and advertisers. Net Element expects to continue to make significant investments to maintain and improve the availability of Net Element's websites and to enable rapid releases of new content and features. To the extent that Net Element does not effectively address capacity constraints, upgrade its systems as needed and continually develop its technologies and network architecture to accommodate actual and anticipated changes in technology, Net Element's business prospects and operating results may be adversely affected.

Net Element's business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection and other matters. Many of these laws and regulations are subject to change and uncertain interpretations, and could result in claims, changes to Net Element's business practices, increased cost of operations or declines in user growth or engagement, or otherwise harm Net Element's business.

Net Element is subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet, many of which are still evolving and the interpretation of which are often uncertain. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, increase Net Element's operating costs, require significant management time and attention and subject Net Element to claims or other remedies, including fines or demands that Net Element modify or cease existing business practices, or could otherwise have an adverse impact on Net Element's business.

Net Element's business is subject to the risks of hurricanes, floods, fires and other natural catastrophic events and to interruption by man-made problems such as computer viruses or terrorism.

Net Element's systems and operations are vulnerable to damage or interruption from hurricanes, floods, fires, power losses, telecommunications outages, terrorist attacks, acts of war, human errors, break-ins and similar events. Net Element's U.S. corporate offices are located in Miami, Florida, which is an area that is at high risk of hurricane and flood damage. In addition, acts of terrorism, which may be targeted at metropolitan areas that have higher population density than rural areas, could cause disruptions in Net Element’s business or the economy as a whole. The servers that Net Element uses through various third party service providers are not located in Miami, Florida but may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with Net Element’s computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential information. Such service providers may not have sufficient protection or recovery plans in certain circumstances, and Net Element’s insurance may not be sufficient to compensate it for losses that may occur. As Net Element relies heavily on its servers, computer and communications systems and the Internet to conduct its business, such disruptions could negatively impact its ability to run its business and either directly or indirectly disrupt its advertisers’ businesses, which could have an adverse effect on its business prospects, operating results and financial condition.

Net Element is effectively controlled by Mike Zoi, its Chairman and Chief Executive Officer. Mr. Zoi's interests may conflict with the interests of Net Element's outside shareholders, who may be unable to influence management and exercise control over Net Element's business.

Mike Zoi, Net Element's Chairman and Chief Executive Officer, owns, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of June 11, 2012 (67.2% assuming the exercise of options and warrants Mr. Zoi owns which are currently exercisable). As a result, and in addition to having de-facto control over all key elements of the day to day operations of Net Element's business, Mr. Zoi can be viewed as having de-facto control over corporate actions requiring shareholder approval, including but not limited to: (i) electing and removing directors; (ii) amending or preventing amendment of Net Element's certificate of incorporation or bylaws; (iii) selling all or substantially all of Net Element's assets; and (iv) merging with another entity, including Cazador. This concentration of ownership could be disadvantageous to shareholders with interests that might vary from those of Mr. Zoi and adversely affect the price that investors might be willing to pay in the future for Net Element's securities. For example, Mr. Zoi owns and controls enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder.

The impact of worldwide economic conditions, including the resulting effect on advertising spending by local businesses, may adversely affect Net Element's business prospects, operating results and financial condition.

Net Element's performance is subject to worldwide economic conditions and their impact on levels of advertising spent by businesses, which may be disproportionately affected by economic downturns. To the extent that the current economic slowdown continues, or worldwide economic conditions materially deteriorate, Net Element's existing and potential advertising clients may no longer consider investment in Net Element's advertising solutions a necessity, or may elect to reduce advertising budgets. Historically, economic downturns have generally resulted in reductions in advertising spending. In particular, web-based advertising solutions may be viewed by some of Net Element's existing and potential advertising clients as a lower priority and could cause advertisers to reduce the amounts they spend on advertising, terminate their use of Net Element's solutions or default on their payment obligations to Net Element. In addition, economic conditions may adversely impact levels of consumer spending, which could adversely impact the numbers of consumers visiting Net Element's websites. Consumer purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected. If consumer spending declines, businesses may be less likely to advertise on Net Element's websites, which could have a material adverse effect on Net Element's business prospects, financial condition and results of operations.

The historic price of Net Element Common Stock has been volatile and the future market price of Net Element Common Stock is likely to continue to be volatile. Further, the limited market for Net Element Common Stock contributes significantly to the high volatility in the market price of Net Element Common Stock. This may make it difficult for holders of Net Element Common Stock to sell their shares for a positive return on their investment.

The public market for Net Element Common Stock has historically been very volatile. Over the last two completed fiscal years, and through the fiscal quarter ended March 31, 2012, the per-share market price for Net Element Common Stock has ranged from $0.01 to $1.05. Any future market price for Net Element Common Stock is likely to continue to be very volatile. This price volatility may make it more difficult for holders of Net Element Common Stock to sell shares when they want and at prices they find attractive. Net Element does not know of any one particular factor that has caused volatility in its share price. However, the market for Net Element Common Stock is limited, which contributes significantly to that volatility, and Net Element cannot assure you that a larger or more liquid market will ever be developed or maintained. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies. Broad market factors and the investing public's negative perception of Net Element's business may reduce its share price, regardless of Net Element's operating performance. Market fluctuations and volatility, as well as general economic, market and political conditions, could reduce the market price of Net Element Common Stock. These fluctuations may also cause short sellers to periodically enter the market in the belief that Net Element will have poor results in the future. As a result, this may make it difficult or impossible for holders of Net Element Common Stock to sell shares when they want and at prices they find attractive.

Net Element's operating results and financial condition may fluctuate which could negatively affect the market price of Net Element Common Stock.

Net Element's operating results could vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of Net Element's control. As a result, comparing Net Element's operating results on a period-to-period basis may not be meaningful and the market price of Net Element Common Stock may be negatively affected. The following factors, among others, may contribute to the variability of Net Element's quarterly and annual results and negatively affect the market price of Net Element Common Stock:

- Net Element's ability to attract new advertisers and retain existing advertisers;
- the effects of changes in search engine placement and prominence of Net Element's websites;
- the effects of increased competition on Net Element's business;

- Net Element’s ability to successfully expand in existing markets and enter new markets;

- the impact of worldwide economic conditions, including the resulting effect on consumer spending and the level of advertising spending by businesses;

- Net Element’s ability to protect its intellectual property;

- Net Element's ability to maintain and increase traffic to its websites;
- Net Element's ability to keep pace with changes in technology;
- the success of Net Element's sales and marketing efforts;
- costs associated with defending intellectual property infringement and other claims and related judgments or settlements;
- changes in government licensing and regulation affecting Net Element's business;
- interruptions in service and any related impact on Net Element's reputation;
- the attraction and retention of qualified employees and key personnel;
- Net Element's ability to choose and effectively manage third-party service providers;
- the impact of fluctuations in currency exchange rates;
- Net Element's ability to successfully manage and integrate any acquisitions of businesses, solutions or technologies;
- the effects of natural or man-made catastrophic events;
- changes in consumer behavior;
- Net Element's ability to increase the effectiveness of its internal controls; and
- changes in Net Element's tax rates or exposure to additional tax liabilities.

Net Element may sell equity securities in the future, which would cause dilution.

Net Element may sell equity securities in the future to obtain funds for general corporate or other purposes. Net Element may sell these securities at a discount to the market price. Any future sales of equity securities will dilute the holdings of existing holders of Net Element Common Stock, possibly reducing the value of their investment.

Net Element incurs increased costs as a result of being a public company.

As a public company, Net Element currently incurs significant legal, accounting and other expenses not incurred by private companies. If Net Element Common Stock becomes listed on The NASDAQ Capital Market or any other exchange, then Net Element will incur significant additional compliance expenses. It may be time consuming, difficult and costly for Net Element to develop and implement the additional internal controls, processes and reporting procedures required by federal statutes, SEC rules, other government regulations affecting public companies and/or stock exchange compliance requirements. Net Element may need to hire additional financial reporting, internal auditing and other finance staff in order to develop and implement appropriate internal controls, processes and reporting procedures, which will increase its expenses and adversely affect its operating results and financial condition.

Net Element may fail to qualify for continued quotation on the OTCQB electronic quotation system, which could make it more difficult for holders of Net Element Common Stock to sell their shares.

Net Element Common Stock is currently quoted on the OTCQB electronic quotation system, which is the middle tier of the OTC Markets. There can be no assurance that quotation of Net Element Common Stock on the OTCQB will continue. In the event that Net Element Common Stock fails to qualify for continued quotation on the OTCQB, Net Element Common Stock could thereafter only be quoted on the OTC Pink market, which is the bottom tier of the OTC Markets. Under such circumstances, holders of Net Element Common Stock may find it more difficult to dispose of, or to obtain accurate quotations for, their shares, and Net Element Common Stock would become substantially less attractive to certain purchasers such as certain financial institutions, hedge funds and other similar investors.

Net Element Common Stock is subject to the "penny stock" rules of the SEC, which makes it more difficult for holders of Net Element Common Stock to sell their shares.

Net Element Common Stock is subject to the "penny stock" rules adopted pursuant to Section 15(g) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The penny stock rules apply to, among others, companies whose common stock is not listed on The NASDAQ Capital Market or another national securities exchange or whose common stock trades at less than $5.00 per share, subject to certain exceptions. Such rules require, among other things, that brokers who trade "penny stock" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade "penny stock" because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. Because Net Element Common Stock is subject to the penny stock rules, holders of Net Element Common Stock may find it more difficult to sell their shares.

Risk Factors Relating to the Business Combination

If the merger does not qualify as a reorganization under Section 368(a) of the Code, the shareholders of Net Element may be required to pay substantial U.S. federal income taxes and Net Element may be required to pay substantial corporate-level U.S. federal income taxes.

As a condition to the completion of the merger, each of Reed Smith, tax counsel to Cazador, and Bilzin, tax counsel to Net Element, must have delivered an opinion, dated the closing date of the merger, to the effect that the merger will be treated as a reorganization for U.S. federal income tax purposes within the meaning of Section 368(a) of the Code. The tax opinions regarding the merger will not address any state, local or foreign tax consequences of the merger. These opinions will be subject to customary qualifications and assumptions, including that the merger will be completed according to the terms of the merger agreement. In rendering the tax opinions, each counsel will require and rely on representations and statements of Net Element, Cazador and their affiliates, which will be delivered at the time of the closing of the merger. If any such assumption, representation or statement is or becomes inaccurate, the U.S. federal income tax consequences of the merger could be adversely affected.

An opinion of counsel represents such counsel's best legal judgment but is not binding on the IRS or any court. Neither Net Element nor Cazador intends to request any ruling from the IRS as to the U.S. federal income tax consequences of the merger. Consequently, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences set forth in this joint proxy statement/prospectus or any of the tax consequences described in the tax opinions.

Although each of Net Element and Cazador believes that the merger should qualify as a tax-free reorganization under the Code, it is possible that the IRS may assert that the merger fails to qualify as such. If the IRS were successful in any such contention, or if for any other reason the merger were to fail to qualify as a tax-free reorganization, then (i) each Net Element shareholder would recognize gain or loss with respect to all such shareholder's shares of Net Element Common Stock based on the difference between (A) the fair market value of NEI Common Stock received in the merger and (B) such shareholder's tax basis in the Net Element Common Stock surrendered in the merger; and (ii) Net Element would recognize gain or loss with respect to all of its assets based on the difference between (A) the sum of the fair market value of the NEI Common Stock transferred pursuant to the merger and the liabilities deemed assumed by NEI for U.S. federal income tax purposes and (B) Net Element's aggregate tax basis in all of its assets.

For additional information regarding U.S. federal income tax consequences to Net Element shareholders, see "Material U.S. Federal Income Tax Consequences – Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 189.

The Cazador domestication may result in adverse tax consequences for holders of Cazador Ordinary Shares.

If you are a U.S. holder (as defined in "Material U.S. Federal Income Tax Consequences" below) of Cazador Ordinary Shares, you may be subject to U.S. federal income tax as a result of the Cazador domestication. If you are a non-U.S. holder (as defined in "Material U.S. Federal Income Tax Consequences" below) of Cazador Ordinary Shares, you may become subject to withholding tax on any dividends paid on NEI Common Stock subsequent to the Cazador domestication. Please read the following information which provides more details on the potential U.S. federal income tax consequences of the Cazador domestication.

If you are a U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of $50,000 or more but who on the day of the Cazador domestication owns (actually and constructively) less than 10% of the total combined voting power of all classes of Cazador Cayman shares entitled to vote, you generally will recognize gain (but not loss) on the exchange of Cazador Ordinary Shares for NEI Common Stock pursuant to the Cazador domestication. As an alternative to recognizing gain, however, you may elect to include in income as a dividend the "all earnings and profits amount," as the term is defined in Treasury Regulation Section 1.367(b)-2(d), attributable to the Cazador Ordinary Shares you directly hold, provided certain requirements are satisfied. Cazador does not expect that Cazador Cayman's cumulative earnings and profits will be greater than zero as of the day of the Cazador domestication. Therefore, based on such expectation, making an election to include the "all earnings and profits amount" attributable to the Cazador Ordinary Shares into income as a dividend generally would be advantageous to U.S. holders who would otherwise recognize gain with respect to the exchange of Cazador Ordinary Shares for NEI Common Stock in the Cazador domestication. **WE STRONGLY URGE EACH SUCH U.S. HOLDER TO READ CAREFULLY THE DESCRIPTIONS OF THE ELECTION IN "MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES – MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE CAZADOR DOMESTICATION" BELOW, STARTING ON PAGE 190, AS WELL AS TO CONSULT ITS OWN TAX ADVISOR.**

If you are a U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of $50,000 or more, and who on the day of the Cazador domestication owns (actually and constructively) 10% or more of the total combined voting power of all classes of Cazador Cayman shares entitled to vote, you generally will be required to include in income as a dividend the "all earnings and profits amount," as the term is defined in Treasury Regulation Section 1.367(b)-2(d), attributable to the Cazador Ordinary Shares you directly hold. As noted above, however, Cazador does not expect that Cazador Cayman's cumulative earnings and profits will be greater than zero as of the day of the Cazador domestication. A U.S. holder's ownership of Cazador Cayman warrants will be taken into account in determining whether such U.S. holder owns 10% or more of the total combined voting power of all classes of Cazador Cayman shares. Complex attribution rules apply in determining whether, for U.S. federal tax purposes, a U.S. holder owns 10% or more of the total combined voting power of all classes of Cazador Cayman shares entitled to vote. **EACH U.S. HOLDER IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR.**

Section 1291(f) of the Code generally requires that, to the extent provided in Treasury regulations, a U.S. person who disposes of stock of a PFIC must recognize gain equal to the excess of the fair market value of such PFIC stock over its adjusted tax basis, notwithstanding any other provision of the Code. No final Treasury regulations have been promulgated under this statute. However, proposed Treasury regulations were promulgated in 1992 with a retroactive effective date. Because Cazador Cayman should be considered a PFIC for U.S. federal income tax purposes, these regulations, if finalized in their current form, generally would require U.S. holders of Cazador Ordinary Shares to recognize gain on the exchange of Cazador Ordinary Shares for NEI Common Stock pursuant to the Cazador domestication (unless the U.S. holder has made a "qualified electing fund" election under Section 1295 of the Code with respect to its Cazador Ordinary Shares for the first taxable year in which such U.S. holder owns such shares or in which Cazador Cayman is a PFIC, whichever is later, or a "mark-to-market" election under Section 1296 of the Code, regardless of whether or the extent to which such U.S. holder would otherwise have been subject to U.S. federal income tax upon such exchange. The tax on any such gain so recognized would be imposed at the rate applicable to ordinary income and an interest charge would apply based on a complex set of computational rules designed to offset the tax deferral to such holders on the undistributed earnings, if any, of Cazador Cayman. The same rule should also apply to a U.S. holder who exchanges Cazador Cayman warrants for NEI warrants. However, we are unable to predict at this time whether, in what form, and with what effective date, final Treasury regulations under Section 1291(f) of the Code will be adopted.

Additionally, the Cazador domestication may cause non-U.S. holders (as defined in "Material U.S. Federal Income Tax Consequences" below) to become subject to U.S. withholding taxes on any dividends in respect of the shares of NEI Common Stock made subsequent to the Cazador domestication.

For a more detailed description of the material U.S. federal income tax consequences associated with the Cazador domestication, see "Material U.S. Federal Income Tax Consequences – Material U.S. Federal Income Tax Consequences of the Cazador Domestication" beginning on page 190. **WE STRONGLY URGE YOU TO CONSULT WITH YOUR OWN TAX ADVISOR.**

Currently, the rights of holders of Cazador Ordinary Shares arise under Cayman Islands law as well as the Cazador Cayman Charter. Upon effectiveness of the Cazador domestication, the rights of holders of NEI Common Stock will arise under the DGCL as well as NEI's certificate of incorporation and bylaws.

Upon effectiveness of the Cazador domestication, the rights of holders of NEI Common Stock will arise under the amended and restated certificate of incorporation and bylaws of NEI as well as the DGCL. Those new organizational documents and the DGCL contain provisions that differ in some respects from those in the Cazador Cayman Charter and Cayman Islands law and, therefore, some rights of holders of NEI Common Stock could differ from the rights that holders of Cazador Ordinary Shares currently possess. For instance, while class actions are generally not available to shareholders under Cayman Islands law, such actions are generally available under the DGCL. This change could increase the likelihood that Cazador becomes involved in costly litigation, which could have a material adverse effect on Cazador. Additionally, there are differences between the new organizational documents of NEI and the current organizational documents of Cazador Cayman. For example, while the Cazador Cayman Charter contains provisions regarding "business combinations" and "interested shareholders" that will be substantially similar in effect to the provisions of Section 203 of the DGCL, the amended and restated NEI bylaws will not contain provisions similar to the business combination provisions in the Cazador Cayman Charter. However, holders of NEI Common Stock will have substantially similar voting rights because NEI will be subject to the provisions of Section 203 of the DGCL upon effectiveness of the Cazador domestication. There can be no assurance that the rights afforded by Section 203 of the DGCL will not be changed or rescinded by the Delaware legislature or courts in the future.

For a more detailed description of the rights of holders of NEI Common Stock and how they may differ from the rights of holders of Cazador Ordinary Shares, please see "Comparison of Shareholder Rights" beginning on page 231. Forms of the amended and restated certificate of incorporation and bylaws of NEI are attached as Appendices C and D, respectively, to this joint proxy statement/prospectus and we urge you to read them.

Net Element shareholders cannot be sure of the market value of the shares of NEI Common Stock to be issued upon completion of the business combination.

Net Element shareholders will receive a fixed number of shares of NEI Common Stock in the business combination rather than a number of shares with a particular fixed market value. The market values of Cazador Ordinary Shares, NEI Common Stock and Net Element Common Stock at the time of the business combination may vary significantly from their prices on the date the merger agreement was executed, the date of this joint proxy statement/prospectus or the dates on which Cazador shareholders and Net Element shareholders vote on the business combination. Because the Exchange Ratio will not be adjusted to reflect any changes in the market prices of Cazador Ordinary Shares, NEI Common Stock or Net Element Common Stock, the market value of the NEI Common Stock issued in the merger and the Net Element Common Stock surrendered in the merger may be higher or lower than the values of these shares on earlier dates. 100% of the merger consideration to be received by Net Element public shareholders will be NEI Common Stock.

Following consummation of the business combination, the market price of Cazador’s securities may be influenced by many factors, some of which are beyond its control, including those described above and the following:

- changes in financial estimates by analysts;
- announcements by it or its competitors of significant contracts, productions, acquisitions or capital commitments;
- fluctuations in its quarterly financial results or the quarterly financial results of companies perceived to be similar to it;
- general economic conditions;
- changes in market valuations of similar companies;
- terrorist acts;
- changes in its capital structure, such as future issuances of securities or the incurrence of additional debt;
- future sales of NEI Common Stock;

- investor perception of Internet media and technology industry;
- regulatory developments in the United States, foreign countries or both;
- litigation involving Cazador, its subsidiaries or its general industry;
- additions or departures of key personnel; and
- all of the factors which currently affect the market price of Net Element Common Stock. See "— Risk Factors Relating to Net Element — Net Element's operating results and financial condition may fluctuate which could negatively affect the market price of Net Element Common Stock."

The market values of Cazador Ordinary Shares, NEI Common Stock and Net Element Common Stock may vary significantly from the date of the special meetings to the date of the completion of the business combination. You are urged to obtain up-to-date prices for Cazador Ordinary Shares, NEI Common Stock and Net Element Common Stock. There is no assurance that the business combination will be completed, that there will not be a delay in the completion of the business combination or that all or any of the anticipated benefits of the business combination will be obtained.

Neither the Cazador board nor the Net Element board obtained a fairness opinion in determining whether or not to proceed with the business combination and, as a result, the terms may not be fair from a financial point of view to the shareholders of Cazador and/or Net Element.

In analyzing the business combination, each of the Cazador board and the Net Element board conducted significant due diligence on Net Element and Cazador, respectively. Each of the Cazador board and the Net Element board believes that because of the financial skills and background of its respective directors, each of the Cazador board and the Net Element board was qualified to conclude that the business combination is fair from a financial perspective to its respective shareholders. Notwithstanding the foregoing, neither of the Cazador board nor the Net Element board obtained a fairness opinion to assist it in its determination. Accordingly, the Cazador board and/or the Net Element board may be incorrect in its assessment of the fairness of the business combination from a financial point of view to the shareholders of Cazador and/or Net Element.

There are inherent risks in the Cazador board’s performing its own valuation and analysis in determining the fair value of Net Element.

The Cazador board may have limited experience in valuing certain business prospects of Net Element, especially those outside of emerging markets and within the online media market. As a result, the Cazador board may be unable to effectively value and analyze the business of Net Element. If the Cazador board is unable to effectively value Net Element, it may pay merger consideration in connection with the merger that is greater than would otherwise be paid had the board obtained a fairness opinion.

The loss of Net Element’s key personnel could negatively affect the operations and profitability of Cazador.

Although Cazador contemplates that certain members of Net Element’s management team will transition to positions in Cazador following the business combination, it is possible that members of the management of Net Element will not wish to make such a transition. In addition, while it is anticipated that Cazador and certain members of Net Element’s senior management will enter into employment agreements, such agreements with Cazador have not been finalized and they may not be finalized or entered into until after the merger is completed. The loss of Net Element’s key personnel could negatively affect the operations and profitability of Cazador.

Failure to successfully combine and integrate the businesses of Cazador and Net Element in the expected time frame may adversely affect Cazador's future results.

The success of the business combination will depend, in part, on Cazador's ability to realize the anticipated benefits from combining the businesses of Cazador and Net Element as further described in the section titled "The Business Combination — Recommendation of the Cazador Board; Cazador's Reasons for the Business Combination" beginning on page 172 and "The Business Combination — Recommendation of the Net Element Board; Net Element's Reasons for the Business Combination" beginning on page 178. To realize these anticipated benefits, the businesses of Cazador and Net Element must be successfully integrated and combined. Cazador and Net Element have been independent companies, and they will continue to be operated as such until the completion of the business combination. The management of Cazador may face significant challenges in integrating the technologies, organizations, procedures, policies and operations, as well as addressing the different business cultures at the two companies, and retaining key personnel. If the combined company is not successfully integrated, the anticipated benefits of the business combination may not be realized fully or at all or may take longer to realize than expected. The integration process and other disruptions resulting from the business combination may also disrupt Net Element's ongoing businesses and/or adversely affect its relationships with employees, customary regulators and others with whom it has business or other dealings.

Cazador and Net Element will be subject to business uncertainties and contractual restrictions while the business combination is pending.

Uncertainty about the effect of the business combination on employees and customers may have an adverse effect on Cazador and Net Element and consequently on the combined company. These uncertainties may impair Net Element's ability to retain and motivate key personnel and could cause customers and others that deal with Net Element to defer entering into contracts with Net Element or making other decisions concerning Net Element or seek to change existing business relationships with Net Element. Certain of Net Element's agreements with its customers, vendors or other third parties have provisions that may allow such parties to terminate the agreements if the business combination is completed. If key employees depart because of uncertainty about their future roles and the potential complexities of the business combination, Cazador's and Net Element's business could be harmed. In addition, the merger agreement restricts Cazador and Net Element, without the consent of the other party, from making certain acquisitions and taking other specified actions until the business combination occurs. These restrictions may prevent Cazador and Net Element from pursuing attractive business opportunities that may arise prior to the completion of the business combination. See the section entitled "The Merger Agreement — Description of the Merger Agreement — Additional Agreements" beginning on page 204 for a description of the restrictive covenants applicable to Cazador and Net Element.

The merger agreement limits Net Element's ability to pursue alternatives to the business combination.

Net Element has agreed that it will not solicit, initiate, knowingly encourage or facilitate inquiries or proposals or engage in discussions or negotiations regarding takeover proposals, subject to limited exceptions, including that Net Element may take certain actions in the event it receives an unsolicited takeover proposal that constitutes a superior proposal or is reasonably expected to lead to a superior proposal, and the Net Element board determines in good faith, after consultation with its outside legal counsel, that a failure to take action with respect to such takeover proposal would be inconsistent with its fiduciary duties. Net Element has also agreed that the Net Element board will not change its recommendation to its shareholders or approve any alternative agreement, subject to limited exceptions, including that, at any time prior to the Net Element business combination approval, the Net Element board may make a change in recommendation in response to a superior proposal, if the Net Element board concludes in good faith that a failure to change its recommendation would be inconsistent with the exercise of its fiduciary duties to its shareholders under applicable laws and, if Cazador shall not have, within five business days of its receipt of notice of such superior proposal, made an offer that the Net Element board determines, in good faith, to be at least as favorable to Net Element's shareholders as such superior proposal. The merger agreement also requires each party to call, give notice of and hold a meeting of its shareholders for the purposes of obtaining the applicable shareholder approval. This special meeting requirement does not apply to a party in the event that the merger agreement is terminated in accordance with its terms. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Net Element from considering or proposing an acquisition, even if it were prepared to pay consideration with a higher price per share than that proposed in the business combination, or might result in a potential competing acquiror proposing to pay a lower price per share to acquire Net Element than it might otherwise have been willing to pay.

Certain directors and executive officers of Cazador and Net Element may have interests in the business combination that are different from, or in addition to or in conflict with, yours.

Executive officers of Cazador and Net Element negotiated the terms of the business combination and each of the Cazador board and the Net Element board approved the business combination and the transactions contemplated thereby and recommend that you vote in favor of the proposals to approve the business combination. These directors and executive officers may have interests in the business combination that are different from, or in addition to or in conflict with, yours. These interests include the repayment of indebtedness owed by Net Element to Enerfund LLC, which is owned and controlled by Mike Zoi, the continued employment of certain executive officers of Cazador and Net Element by Cazador, the continued positions of certain directors of Cazador and Net Element as directors of Cazador, and the indemnification of former Cazador and Net Element directors and Cazador and Net Element officers by Cazador and the surviving corporations. Further, immediately prior to the effectiveness of the merger, the principal amounts of all outstanding convertible debt of Net Element owned by Enerfund (which is owned and controlled by Mike Zoi) will be converted into Net Element Common Stock, which will be converted into shares of NEI common stock in the merger and, immediately following the effectiveness of the merger, NEI will pay to Enerfund an amount, in cash, representing payment in full of all outstanding non-convertible loans, and accrued interest thereon, made by Enerfund to Net Element. You should be aware of these interests when you consider your board of directors' recommendation that you vote in favor of the approval and adoption of the merger agreement and the consummation of the transactions contemplated thereby. For a discussion of the interests of directors and executive officers in the business combination, see "The Business Combination — Interests of Officers and Directors in the Business Combination" beginning on page 183.

Cazador's Sponsor owns Cazador Ordinary Shares and warrants that may be worthless if the business combination is not approved. Such interests may have influenced the Sponsor's decision to approve the business combination.

Following the consummation of the business combination, Cazador's Sponsor, which includes all of Cazador's directors and executive officers, will beneficially own approximately 1,150,000 shares of NEI Common Stock and will have the right to acquire an additional 4,340,000 shares of NEI Common Stock through the exercise of warrants, subject to certain limitations. Cazador's Sponsor is not entitled to receive any of the cash proceeds that may be distributed upon Cazador's liquidation with respect to Cazador Ordinary Shares that are held by the Sponsor. Therefore, if the business combination is not approved and Cazador does not consummate another business combination by October 14, 2012 and is forced to liquidate, such Cazador Ordinary Shares and warrants held by the Sponsor will be worthless. As of , 2012, the record date for the Cazador special meeting, Cazador's Sponsor beneficially held $ in Cazador Ordinary Shares (based on a market price of $ per share) and $ in warrants (based on a market price of $ per warrant). These financial interests of Cazador's Sponsor may have influenced the Sponsor's decision to approve the business combination and to continue to pursue the business combination. See "The Business Combination — Interests of the Officers and Directors in the Business Combination" beginning on page 183.

The shares of NEI Common Stock to be received by Net Element shareholders and Cazador shareholders as a result of the business combination will have different rights from shares of Net Element Common Stock and Cazador Ordinary Shares, respectively.

Following completion of the business combination, Net Element shareholders and Cazador shareholders will no longer be shareholders of Net Element and Cazador Cayman, respectively, but will instead be shareholders of NEI. There will be important differences between your current rights as a Net Element shareholder or a Cazador shareholder, as the case may be, and your rights as a NEI shareholder. See "Comparison of Shareholder Rights" beginning on page 231 for a discussion of the different rights associated with Net Element Common Stock, Cazador Ordinary Shares and NEI Common Stock.

Both Cazador shareholders and Net Element shareholders will have a reduced ownership and voting interest after consummation of the business combination.

After the completion of the business combination, Cazador shareholders and Net Element shareholders will own a smaller percentage of NEI than they currently own of Cazador and Net Element, respectively. Immediately following the completion of the business combination (without taking into account any shares of NEI Common Stock held by Net Element shareholders prior to the completion of the business combination), the former shareholders of Net Element are expected to own approximately 80.9% of the outstanding NEI Common Stock (or 65.6% of the outstanding NEI Common Stock calculated on a fully diluted basis) and the current holders of Cazador Ordinary Shares are expected to own approximately 19.1% of the outstanding NEI Common Stock (or 34.4% of the outstanding

NEI Common Stock calculated on a fully diluted basis).

Consequently, Cazador shareholders, as a group, and Net Element shareholders, as a group, will each have reduced ownership and voting power in the combined company compared to their current ownership and voting power in Cazador and Net Element, respectively. In particular, current Cazador shareholders, as a group, will have less than a majority of the ownership and voting power of Cazador following completion of the business combination and, therefore, will be able to exercise less collective influence over the management and policies of Cazador than they currently exercise.

Failure to complete the business combination could negatively affect the stock prices, businesses and financial results of Cazador and Net Element, respectively.

If the business combination is not completed, the ongoing businesses of Cazador and Net Element may be adversely affected and Cazador and Net Element will be subject to several risks and consequences, including the following:

- Cazador and Net Element will be required to pay certain costs relating to the business combination, whether or not the business combination is completed, such as significant fees and expenses relating to financing arrangements and legal, accounting and printing fees;

- Cazador may be required to pay significant fees and expenses relating to financing arrangements, whether or not the business combination is completed, which may include investment banking fees and commissions, commitment fees, early termination or redemption premiums, professional fees and other costs and expenses;

- under the merger agreement, each of Cazador and Net Element is subject to certain restrictions on the conduct of its business prior to completing the business combination which may adversely affect its ability to execute certain of its business strategies;

- matters relating to the business combination may require substantial commitments of time and resources by Cazador and Net Element management, which could otherwise have been devoted to other opportunities that may have been beneficial to Cazador and Net Element as independent companies, as the case may be.

In addition, if the business combination is not completed, Cazador and/or Net Element may experience negative reactions from the financial markets and from Net Element’s customers and employees. Cazador and Net Element also could be subject to litigation related to a failure to complete the business combination or to enforce their respective obligations under the merger agreement. If the business combination is not consummated, Cazador and Net Element cannot assure their respective shareholders that the risks described will not materially affect the business, financial results and stock prices of Cazador and/or Net Element.

Cazador and Net Element will incur significant transaction and merger-related transition costs in connection with the business combination.

Cazador and Net Element expect that they will incur significant, non-recurring costs in connection with consummating the business combination and integrating the operations of Cazador and Net Element. Cazador may incur additional costs to maintain employee morale and to retain key employees of Net Element. Cazador and Net Element will also incur significant fees and expenses relating to financing arrangements and legal, accounting and other transaction fees and costs associated with the business combination. The merger agreement provides that the expenses for the business combination will be paid by Cazador, unless the business combination is terminated, in which case each party must pay its own expenses.

The unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus may not be indicative of what the combined company's actual financial position or results of operations would have been.

The unaudited pro forma financial information in this joint proxy statement/prospectus is presented for illustrative purposes only, has been prepared based on a number of assumptions and is not necessarily indicative of what the combined company's actual financial position or results of operations would have been had the business combination been completed on the dates indicated. The unaudited pro forma consolidated financial information does not reflect any cost savings, operating synergies or revenue enhancements that the combined companies may achieve as a result of the business combination or the costs to combine the operations of Cazador and Net Element or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements. See "Unaudited Pro Forma Consolidated Combined Financial Information" beginning on page 218 for more information.

Cazador's warrants may be exercised in the future, which would increase the number of shares eligible for future resale in the public market and result in dilution to Cazador's shareholders.

Outstanding warrants to purchase an aggregate of 4,340,000 NEI Common Stock (issued in the Cazador domestication in exchange for Cazador warrants to purchase Cazador Ordinary Shares) will become exercisable after the consummation of the business combination. These warrants likely will be exercised only if the $7.50 per share exercise price is below the market price of the shares of NEI Common Stock. To the extent such warrants are exercised, additional shares of NEI Common Stock will be issued, which will result in dilution to the holders of NEI Common Stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of NEI Common Stock.

If Cazador's Sponsor exercises its registration rights with respect to its Cazador Ordinary Shares and warrants and the underlying securities, it may have an adverse effect on the market price of the NEI Common Stock and the existence of these rights may make it more difficult to effect the business combination.

Cazador's Sponsor and its beneficial owners and permitted transferees are entitled to an aggregate of four demands that Cazador register the Cazador Ordinary Shares, warrants and underlying securities held by them. They can elect to exercise these rights with respect to such securities after the consummation of the business combination provided that the estimated market value of the securities to be registered is at least $500,000 in the aggregate. In general, Cazador will bear the expenses incurred in connection with the filing of any demand registration statements. The presence of these additional securities trading in the public market may have an adverse effect on the market price of the NEI Common Stock.

If holders of Public Cazador Ordinary Shares fail to deliver their shares in accordance with the redemption requirements specified in this joint proxy statement/prospectus, they will not be entitled to redeem their Public Cazador Ordinary Shares for a pro rata portion of the trust account.

In order for holders of Public Cazador Ordinary Shares to exercise their redemption rights, whether they are a record holder or hold their shares in "street name," they must either tender their certificates to Cazador's transfer agent or deliver their shares to the transfer agent electronically using Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System, at the holder's option no later than the business day immediately preceding the vote on the business combination. As the delivery process can be accomplished by the shareholder, whether or not he is a record holder or his shares are held in "street name," in a matter of hours by simply contacting the transfer agent or his broker and requesting delivery of his shares through the DWAC System, Cazador believes this time period is sufficient for an average investor.

Because Cazador has no control over this process, it may take significantly longer than anticipated. Accordingly, if it takes longer than we anticipate for shareholders to deliver their shares, holders of Public Cazador Ordinary Shares who wish to redeem may be unable to meet the deadline for exercising their shareholder redemption rights and thus may be unable to redeem their shares.

See the section entitled "The Business Combination — Redemption Rights of Cazador Shareholders" for the procedures to be followed if you wish to redeem your shares to cash.

The NASDAQ Capital Market may not list the NEI Common Stock on its exchange, which could limit investors' ability to make transactions in NEI Common Stock and subject Cazador to additional trading restrictions.

Cazador will seek listing of the NEI Common Stock on The NASDAQ Capital Market as soon as practicable in connection with the business combination. There can be no assurance that the NEI Common Stock will be listed, or if listed, that Cazador will be able to maintain the listing of the NEI Common Stock in the future.

If The NASDAQ Capital Market does not list the NEI Common Stock for trading on its exchange, Cazador could face significant material adverse consequences, including:

- a limited availability of market quotations for the NEI Common Stock;

- reduced liquidity with respect to the NEI Common Stock;
- a determination that its shares of NEI Common Stock are “penny stock,” which will require brokers trading in such shares to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for the shares of NEI Common Stock;
- a limited amount of news and analyst coverage for Cazador; and
- fewer opportunities to obtain additional financing in the future.

The exercise of discretion by Cazador’s and Net Element’s respective directors’ and officers’ in agreeing to changes or waivers in the terms of the business combination may result in a conflict of interest when determining whether such changes to the terms of the merger or waivers of conditions are appropriate and in shareholders’ best interests.

In the period leading up to the closing of the business combination, events may occur that, pursuant to the merger agreement, would require Cazador or Net Element to agree to amend one or more provisions of the merger agreement, as applicable, to consent to certain actions taken by the other party or to waive rights that they are entitled to under the merger agreement. Such events could arise because of changes in the course of the respective business or operations of one of the parties, a request by another party to undertake actions that would otherwise be prohibited by the terms of the merger agreement, or the occurrence of other events that would have a material adverse effect on Cazador’s or Net Element’s respective businesses or operations and would entitle Cazador or Net Element to terminate such agreement. In any of such circumstances, it would be discretionary on each of Cazador or Net Element, acting through its respective board of directors, to grant its consent or waive its rights. The existence of the financial and personal interests of the directors described in preceding risk factors may result in a conflict of interest on the part of one or more of the directors between what he or she may believe is best for Cazador or Net Element, as applicable, and what he may believe is best for himself in determining whether or not to take the requested action. As of the date of this joint proxy statement/prospectus, each of Cazador and Net Element does not believe there will be any changes or waivers that its respective directors and officers would be likely to make after shareholder approvals of the Cazador merger proposal and the Net Element merger proposal, respectively, have been obtained. While certain changes could be made without further shareholder approval, Cazador and Net Element will circulate a new or amended joint proxy statement/prospectus and re-solicit Cazador’s and Net Element’s shareholders if changes to the terms of the transaction that would have a material adverse impact on Cazador or Net Element shareholders are required prior to the shareholder vote on the Cazador merger proposal and the Net Element merger proposal, respectively.

A portion of the funds in the trust account may be used to redeem Public Cazador Ordinary Shares. As a consequence, if the business combination is completed, such funds will not be available to Cazador for working capital and general corporate purposes and the number of beneficial holders of Cazador's securities may be reduced to a number that may preclude the quotation, trading or listing of NEI Common Stock other than on the over the counter markets such as the Over the Counter Bulletin Board or the OTC markets (OTCQB or Pink Sheets).

Pursuant to the Cazador Cayman Charter, Cazador is offering each holder of Public Cazador Ordinary Shares the right to have such holder's shares redeemed into cash. After such redemptions and the payment of expenses associated with the business combination, including investment banking fees, legal fees and deferred underwriting commissions, the balance of funds in the trust account will be available to NEI for working capital and general corporate purposes.

If the amount remaining in the trust account after any redemptions and payment of expenses is insufficient to fund NEI's working capital requirements, NEI may need to seek to borrow funds necessary to satisfy such requirements. We cannot assure you that such funds would be available to NEI on terms favorable to it or at all. If such funds were not available to NEI, it may materially and adversely affect NEI's operations and profitability.

Additionally, as a result of any redemptions of Public Cazador Ordinary Shares, NEI may not have a sufficient number of beneficial holders of NEI Common Stock or a public "float" that meets the listing requirements of The NASDAQ Capital Market or any other national securities exchange, which could materially and adversely affect the market price and liquidity of the NEI Common Stock.

INFORMATION ABOUT CAZADOR

Unless the context otherwise requires, in this section only, the term "Cazador" refers to Cazador Acquisition Corporation Ltd., a recently organized blank check company as it currently exists under Cayman Islands law.

Overview

Cazador Acquisition Corporation Ltd. is an exempted company incorporated on April 20, 2010 in the Cayman Islands with limited liability as a blank check company. Cazador was incorporated for the purpose of effecting a merger, share capital exchange, asset acquisition, share purchase, reorganization or similar business combination, with one or more operating businesses or assets. Cazador has focused, and will continue to focus, on effecting a business combination in developing countries in Central and Eastern Europe, Latin America and Asia, but it may pursue opportunities in other geographical areas.

Cazador is partially owned by its Sponsor, Cazador Sub Holdings Ltd., which is a company incorporated as a Cayman Islands exempted company, whose ultimate owner is Arco Group LLC, a Puerto Rico limited liability company.

Emerging and developing economies growth outpaced that of advanced economies in 2010 and 2011. During 2011, advanced economies grew 1.6% while emerging and developing economies grew 6.2%. Additionally, in 2010 advanced economies grew 3.2% while emerging and developing economies grew 7.3%. Moreover, the International Monetary Fund projects emerging and developing economies will grow at a much larger pace in 2012 and 2013 than the advanced economies.

In addition to having superior economic growth, companies in emerging markets have limited access to capital due to historical circumstances and inefficient capital markets. Therefore, Cazador believes that well-capitalized companies in emerging Europe, Latin America and Asia, offer numerous opportunities for value creation. In Cazador's opinion, one of the ways in which value can be created is by addressing the growing needs of the local population, the demand for exports of their raw materials and finished or semi-finished goods by economically developed countries.

On October 14, 2010, Cazador closed its initial public offering of 4.6 million units (including 600,000 units subject to the underwriters' over-allotment option which were exercised on October 14, 2010). Each unit consists of one Cazador Ordinary Share and one warrant. The units were sold at an offering price of $10.00, generating gross proceeds to Cazador of approximately $46.0 million. Rodman & Renshaw, LLC and Maxim Group LLC acted as joint book-running managers of the initial public offering. The securities sold in Cazador's initial public offering were registered under the Securities Act pursuant to a registration statement on Form F-1 (No. 333-169231). The SEC declared the registration statement effective on October 7, 2010. Cazador's units began trading on The NASDAQ Capital Market on October 8, 2010. Prior to Cazador's initial public offering, it sold an aggregate of 4.34 million warrants to the Sponsor in a private placement for a purchase price of $0.50 per warrant, generating total proceeds of approximately $2.2 million.

Cazador paid approximately $1.0 million in underwriting discounts and commissions, and incurred fees of approximately $590,500 for other costs and expenses related to its initial public offering.

After deducting the underwriting discounts and commissions and Cazador's initial public offering expenses, the total net proceeds to Cazador from its initial public offering and private placement were approximately $46.5 million of which approximately $46.2 million was deposited into a trust account and the remaining proceeds were used to provide for business, legal and accounting due diligence and advisory fees in connection with prospective business combinations, compliance with securities laws and regulations, and continuing general and administrative expenses.

Shareholder Redemption Rights

At the time Cazador seeks shareholder approval of any initial business combination, it will offer each holder of Public Cazador Ordinary Shares the right to have such holder's shares redeemed into cash if such holder either (i) votes against the business combination and timely exercises such redemption right or (ii) votes in favor of the business combination but elects to exercise such shareholder's right to redeem. Cazador's Sponsor and its beneficial owners will not have shareholder redemption rights with respect to any Cazador Ordinary Shares owned by them, directly or indirectly, including Cazador Ordinary Shares purchased by them in Cazador's initial public offering or in the secondary market. The actual per-share redemption price will be equal to the aggregate amount then in the trust account, and including accrued interest, net of any interest income on the trust account balance required for Cazador to pay its tax obligations incurred and net of interest income of up to $2.0 million previously released to Cazador to fund its working capital requirements (calculated as of two business days prior to the consummation of the business combination), divided by the number of Public Cazador Ordinary Shares. As of June 11, 2012, the per-share redemption price would be approximately $10.036.

Notwithstanding the foregoing, as set forth in the Cazador Cayman Charter, a holder of Public Cazador Ordinary Shares, together with any affiliate of his or any other person with whom he is acting in concert or as a partnership, syndicate or other group for the purpose of acquiring, holding or disposing of Cazador Cayman's securities, will be prohibited from exercising shareholder redemption rights with respect to more than 10% of the Public Cazador Ordinary Shares. Such a shareholder would still be entitled to vote against a proposed business combination with respect to all Public Cazador Ordinary Shares owned by him or his affiliates. Cazador believes this prohibition will discourage shareholders from accumulating large blocks of Cazador Ordinary Shares before the vote held to approve a proposed business combination and attempt to use the shareholder redemption right as a means to force Cazador or its management to purchase their Cazador Ordinary Shares at a significant premium to the then current market price. Absent this provision, a shareholder who owns in excess of 10% of the Public Cazador Ordinary Shares could threaten to vote against a proposed business combination and seek conversion, regardless of the merits of the transaction, if his shares are not purchased by Cazador or Cazador's management at a premium to the then current market price (or if management refuses to transfer to him some of their shares). By limiting a shareholder's ability to redeem only 10% of the Public Cazador Ordinary Shares, Cazador believes it has limited the ability of a small group of shareholders to unreasonably attempt to block a transaction which is favored by Cazador's other public shareholders. However, Cazador is not restricting any shareholders' ability to vote all of their shares against the business combination.

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An eligible shareholder may request shareholder redemption at any time up to the business day immediately preceding the vote with respect to a proposed business combination. Redeeming shareholders may vote either “FOR” or “AGAINST” the business combination but will receive no pro rata interest income in the event they vote against such business combination (this will be the case with respect to both redemption proceeds if the proposal is approved and liquidation proceeds if not) which will incentivize redeeming shareholders to vote in favor of the business combination since redeeming shareholders voting for the business combination will be eligible to receive a pro rata share of the interest income earned by the trust not released to Cazador for working capital purposes and as a result have a higher redemption price, and Cazador will retain the difference to the extent of a liquidation of Cazador’s trust account. In addition, no later than the business day immediately preceding the vote on the business combination, the shareholder must present written instructions to Cazador’s transfer agent stating that such shareholder wishes to redeem such holder’s shares and confirming that the shareholder has held the shares since the record date and will continue to hold them through the shareholder meeting and the close of the business combination. Public Cazador Ordinary Shares that have not been tendered in accordance with these procedures by the business day prior to the Cazador special meeting will not be redeemed for cash. Further, Cazador may require holders of Public Cazador Ordinary Shares, whether they are a record holder or hold their shares in “street name,” to either tender their certificates to Cazador’s transfer agent or to deliver their shares to the transfer agent electronically using Depository Trust Company’s DWAC (Deposit/Withdrawal At Custodian) System, in each case, at the holder’s option no later than the business day immediately preceding the vote on the initial business combination.

The purpose of the requirement for physical or electronic delivery prior to the Cazador special meeting is two-fold. First, it insures that the exercise by a shareholder of his shareholder redemption rights is irrevocable once the business combination is approved as the case may be, and second, it insures that Cazador will know the amount of the proceeds that it will be able to use to consummate the business combination. Traditionally, in order to perfect shareholder redemption rights in connection with a blank check company’s initial business combination, a holder could simply vote against a proposed initial business combination and check a box on the proxy card indicating such holder was seeking redemption. After the business combination was approved, the company would contact such shareholder to arrange for him to deliver his shares to verify ownership. As a result, the shareholder then had an “option window” after the consummation of the initial business combination during which he could monitor the price of the shares in the market. If the price rose above the redemption price, he could sell his shares in the open market before actually delivering his shares to the company for cancellation. Thus, the shareholder redemption right, with respect to which shareholders was aware they needed to commit before the shareholder meeting, would become a continuing right surviving past the consummation of the initial business combination until the redeeming shareholder delivered his ordinary shares for conversion. The requirement for physical or electronic delivery prior to the meeting would be imposed to ensure that a redeeming holder’s election to redeem is irrevocable once the business combination is approved.

There is a nominal cost associated with the above-referenced tendering process and the act of certificating the shares or delivering them through the DWAC system. The transfer agent will typically charge approximately $50 to the tendering broker, and it would be up to the broker to decide whether to pass this cost on to the shareholder who has exercised his shareholder redemption right. However, this fee would be incurred whether or not Cazador requires shareholders seeking to exercise their shareholder redemption rights to tender their shares prior to the Cazador special meeting as the need to deliver the shares is a requirement of redemption whenever such delivery must be effectuated. Accordingly, tendering shares prior to the meeting would not result in any increased cost to shareholders when compared to the traditional process.

The steps outlined above will make it more difficult for Cazador shareholders to exercise their shareholder redemption rights. In the event that it takes longer than anticipated to obtain delivery of their shares, shareholders who wish to redeem may be unable to make such delivery by the deadline for exercising their shareholder redemption rights and thus will be unable to redeem their shares.

Any request for shareholder redemption, once made, may be withdrawn at any time up to the business day immediately prior to the vote with respect to the initial business combination. Furthermore, if a shareholder delivered his shares for redemption and subsequently decided prior to the meeting not to elect redemption, he may simply request that the transfer agent return the shares (physically or electronically). It is anticipated that the funds to be distributed to shareholders entitled to redeem their shares who elect redemption will be distributed promptly after completion of the business combination. Cazador shareholders who redeem their shares for their pro rata share of the trust account still have the right to exercise any warrants they still hold.

Redeeming shareholders may vote either for or against the business combination but will receive no pro rata interest income in the event they vote against such business combination (this will be the case with respect to both redemption proceeds if the proposal is approved and proceeds from liquidation of the trust account if not) which will incentivize redeeming shareholders to vote in favor of the business combination since redeeming shareholders voting for the business combination will be eligible to receive a pro rata share of the interest income earned by the trust and as a result have a higher redemption price. However, if a holder of Public Cazador Ordinary Shares fails to properly exercise such shareholder's redemption rights, such shareholder will not have its Public Cazador Ordinary Shares redeemed for its pro rata distribution of the trust account.

Each holder of Public Cazador Ordinary Shares may elect to redeem his, her or its Public Cazador Ordinary Shares irrespective of whether he, she or it votes for or against an initial business combination. Cazador will not complete an initial business combination if holders of Public Cazador Ordinary Shares, owning, in the aggregate, more than 49.9% of the Public Cazador Ordinary Shares, both vote against and exercise their shareholder redemption rights with respect to such initial business combination. Cazador has set the redemption percentage at 49.9% in order to reduce the likelihood that a small group of investors holding a block of Public Cazador Ordinary Shares will be able to stop Cazador from completing a business combination that may otherwise be approved by Cazador's public shareholders.

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If a vote on the business combination is held and the business combination is not approved, Cazador may continue to try to consummate an initial business combination with the same or a different target until October 14, 2012, which is the date on which Cazador is required to liquidate the trust account. If the initial business combination is not approved or completed for any reason, then holders of Public Cazador Ordinary Shares who exercised their shareholder redemption rights would not be entitled to redeem their Public Cazador Ordinary Shares for a pro rata share of the aggregate amount then in the trust account. In such case, if Cazador had required its shareholders to tender their shares prior to the meeting, Cazador will promptly return such shares to the tendering shareholders. Holders of Public Cazador Ordinary Shares would be entitled to receive their pro rata share of the aggregate amount in the trust account only in the event that (i) such shareholder votes for the business combination and the business combination is duly approved and subsequently completed, or (ii) in connection with Cazador's liquidation of its trust account.

Fair Market Value of Target Business

In contrast to many other companies with business plans similar to Cazador's that must combine with one or more target businesses that have a fair market value equal to 80% or more of the acquiror's net assets, Cazador will not combine with a target business or businesses unless the fair market value of such entity or entities meets a minimum valuation threshold of 80% of the amount in the trust account at the time of the business combination plus any amounts previously distributed to Cazador shareholders who have exercised their shareholder redemption rights. Cazador has used this criterion to provide investors and its management team with greater certainty as to the fair market value that a target business or businesses must have in order to qualify for an initial business combination with Cazador. The determination of net assets requires an acquiror to have deducted all liabilities from total assets to arrive at the balance of net assets. Given the on-going nature of legal, accounting, shareholder meeting and other expenses that will be incurred immediately before and at the time of an initial business combination, the balance of an acquiror's total liabilities may be difficult to ascertain at a particular point in time with a high degree of certainty. Accordingly, Cazador has determined to use the valuation threshold of 80% of the amount in the trust account at the time of the initial business combination plus any amounts previously distributed to its shareholders who have exercised their shareholder redemption rights for the fair market value of the target business or businesses with which Cazador combines so that Cazador's management team will have greater certainty when selecting, and Cazador's investors will have greater certainty when voting to approve or disapprove a proposed combination with, a target business or businesses that will meet the minimum valuation criterion.

The fair market value of a target business or businesses will be determined by the disinterested members of Cazador's board of directors based upon one or more standards generally accepted by the financial community (such as actual and potential sales, the values of comparable businesses, earnings and cash flow and/or book value). If the disinterested members of Cazador's board are not able to independently determine that the target business has a sufficient fair market value to meet the threshold criterion, Cazador will obtain an opinion from an unaffiliated, independent investment banking firm which is a member of the Financial Industry Regulatory Authority with respect to the satisfaction of such criterion.

Cazador will not be required to obtain an opinion from an investment banking firm as to the fair market value of the business if Cazador's board of directors independently determines that the target business or businesses has sufficient fair market value to meet the threshold criterion.

The Cazador board determined that the fair market value of Net Element is approximately $97.7 million (based on the aggregate shares of Net Element Common Stock to be acquired by Cazador in the merger multiplied by the last reported sale price per share of Net Element Common Stock on the OTCQB electronic quotation system on June 11, 2012). Because the balance of the Cazador trust account was approximately $46.2 million as of June 11, 2012, the Cazador board concluded that the fair market value of Net Element is greater than 80% of the balance of the Cazador trust account. Because the Cazador board independently was able to determine the fair market value of Net Element, it did not obtain a fairness opinion from an investment banking firm.

Opportunity for Shareholder Approval of Business Combination

Because Cazador is proposing the business combination, Cazador is submitting to its shareholders the Cazador merger proposal and the Cazador domestication proposal pursuant to Cayman Islands law and the DGCL. The quorum required to constitute this meeting, as for all meetings of Cazador shareholders in accordance with the Cazador Cayman Charter, is a majority of the issued and outstanding Cazador Ordinary Shares (whether or not held by public shareholders). In connection with the votes required for the business combination, Cazador's Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the business combination.

Cazador will consummate the business combination only if, among other conditions, the holders of (i) a majority of the outstanding Public Cazador Ordinary Shares vote in favor of the Cazador merger proposal and (ii) at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at the Cazador special meeting in favor of the Cazador domestication proposal. If the business combination is not approved by the required number of Cazador's shareholders, Cazador may continue to seek other target businesses with which to effect its initial business combination until October 14, 2012. Further, Cazador will not complete the business combination if holders of Public Cazador Ordinary Shares, owning, in the aggregate, more than 49.9% of the Public Cazador Ordinary Shares, both vote against and exercise their shareholder redemption rights with respect to the business combination. Additionally, as per the terms of the merger agreement, the merger will not be consummated unless Cazador has at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt). Holders of Public Cazador Ordinary Shares will be able to redeem their shares up to the business day immediately prior to the vote on the proposals to approve the business combination.

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Liquidation If No Business Combination

The Cazador Cayman Charter provides that if after 24 months (since the period to complete Cazador's business combination has been extended because it has, prior to April 14, 2012, entered into a non-binding letter of intent with respect to an initial business combination) from the consummation of Cazador's initial public offering, or October 14, 2012, it has not consummated an initial business combination, Cazador will be required to repurchase all outstanding Public Cazador Ordinary Shares and liquidate the trust account and distribute the proceeds pro rata to the holders of Public Cazador Ordinary Shares in return for such shares (which will be subsequently cancelled upon completion of the redemption of such shares). This provision may not be amended except with consent of 66.66% of the issued and outstanding Public Cazador Ordinary Shares voting present in person or by proxy at a meeting in which the holders of 95% of the outstanding Public Cazador Ordinary Shares must be present in order to constitute a quorum. The Cazador Cayman Charter provides the procedures by which Cazador will repurchase all of the Public Cazador Ordinary Shares if it does not complete an initial business combination prior to October 14, 2012. The Cazador Cayman Charter is included as Annex B to this join proxy statement/prospectus and incorporated by reference.

Following completion of the repurchase of Public Cazador Ordinary Shares, Cazador's Sponsor will be the only remaining shareholder and Cazador will continue in existence. To the extent any claims deplete the funds remaining in the trust account, Cazador cannot assure you that it will be able to return to holders of Public Cazador Ordinary Shares the amounts payable to them from the liquidation of the trust account. In addition, under certain limited circumstances distributions received by shareholders could be viewed by applicable laws (including insolvency laws and certain equitable and/or restitution principles) as either fraudulent transfers or mistaken or otherwise wrongful payments. In those circumstances, a court could order that amounts received by holders of Public Cazador Ordinary Shares be repaid to Cazador.

Cazador's Sponsor and its beneficial owners have waived their rights to participate in any liquidation of the trust account with respect to Cazador Ordinary Shares owned by them. There will be no distribution from the trust account with respect to Cazador warrants, which may expire worthless. The costs of liquidation of the trust account will be met from Cazador's remaining assets outside of the trust account or from interest earned on the funds held in the trust account that may be released to Cazador to fund its working capital requirements, if not done in connection with a shareholder vote with respect to the extended period of a potential initial business combination. If such funds are insufficient, each of Cazador's Sponsor and ACM has agreed, jointly and severally, to advance Cazador the funds necessary to complete such liquidation (currently anticipated to be no more than approximately $15,000, absent any unforeseen complications) and has agreed not to seek repayment of such expenses.

If Cazador were to expend all of the net proceeds of its initial public offering, other than the proceeds deposited in the trust account, and without taking into account interest, if any, earned on the trust account, the initial per-share redemption price would be approximately $10.036. The proceeds deposited in the trust account could, however, become subject to the claims of Cazador's creditors (which could include vendors and service providers Cazador has engaged to assist it in any way in connection with Cazador's search for a target business and that are owed money by Cazador, as well as target businesses themselves) which could have higher priority than the claims of holders of

Public Cazador Ordinary Shares. To the extent any such claims deplete the trust account, the amounts returned to holders of Public Cazador Ordinary Shares from the trust account will be reduced accordingly. Additionally, Cazador cannot assure you that third parties will not seek to recover from holders of Public Cazador Ordinary Shares amounts owed to them by Cazador. If a claim was made that resulted in Cazador's Sponsor and ACM having liability and they refused to satisfy their obligations, Cazador's board of directors, having a fiduciary obligation to act in the best interest of Cazador, may cause Cazador to bring an action against them to enforce Cazador's indemnification rights.

Each of Cazador's Sponsor and ACM has agreed, pursuant to an agreement with Cazador and the representative of the underwriters of Cazador's initial public offering that, if Cazador distributes the amounts held in trust to holders of Public Cazador Ordinary Shares pursuant to the exercise of shareholder redemption rights in connection with the consummation of Cazador's initial business combination, or if Cazador liquidates the trust account, they will be jointly and severally liable, by means of direct payment to the trust account, to pay debts and obligations to target businesses or vendors or other entities that are owed money by Cazador for services rendered or contracted for or products sold to Cazador in excess of the net proceeds of Cazador's initial public offering not held in the trust account. However, the agreement entered into by each of Cazador's Sponsor and ACM specifically provides for two exceptions to this indemnity: there will be no liability (1) as to any claimed amounts owed to a third party who executed a legally enforceable waiver or (2) as to any claims under Cazador's indemnity of the underwriters of its initial public offering against certain liabilities, including liabilities under the Securities Act. However, Cazador cannot assure you that each of the Sponsor and ACM would be able to satisfy those obligations. Accordingly, the actual per-share price from liquidation of the trust account could be less than $10.00 per Public Cazador Ordinary Share plus interest, due to claims of creditors. Additionally, if Cazador becomes insolvent or a petition to wind up the company is filed against Cazador which is not dismissed, the proceeds held in the trust account could be subject to applicable insolvency law, and may be included in Cazador's insolvent estate and subject to the claims of third parties with priority over the claims of Cazador shareholders (including claims of Cazador shareholders for amounts owed to them as a result of the redemption or repurchase of Public Cazador Ordinary Shares). To the extent any claims deplete the trust account, Cazador cannot assure you it will be able to return to holders of Public Cazador Ordinary Shares at least $10.00 per Public Cazador Ordinary Share plus accrued interest.

Holders of Public Cazador Ordinary Shares will be entitled to receive funds from the trust account only in the event of Cazador's compulsory repurchase of Public Cazador Ordinary Shares and liquidation of the trust account or if they seek to redeem their respective Public Cazador Ordinary Shares for cash upon an initial business combination which the shareholder voted against and such business combination is completed by Cazador. In no other circumstances will a shareholder have any right or interest of any kind to or in the trust account.

Competition

If Cazador succeeds in effecting the merger with Net Element or another business combination, there will be, in all likelihood, intense competition from competitors of the target business in the online media industry. Cazador cannot assure you that, subsequent to a business combination, Cazador will have the resources or ability to compete effectively.

Employees

Cazador currently has one executive officer. This individual is not obligated to devote any specific number of hours to Cazador matters and intends to devote only as much time as he deems necessary to Cazador's affairs. The amount of time such individual will devote in any time period will vary based on whether a target business has been selected for the business combination and the stage of the business combination process that Cazador is in. Accordingly, once management locates a suitable target business to acquire, Cazador expects that its executive officer will spend more time investigating such target business and negotiating and processing the business combination (and consequently spend more time on Cazador's affairs) than he would prior to locating a suitable target business. Cazador does not intend to have any full time employees prior to the consummation of its initial business combination.

Property, Plant and Equipment

Cazador currently maintains its executive offices at BBVA Building, P1, 254 Muñoz Rivera Avenue, San Juan, Puerto Rico and also has access to office space provided by ACM pursuant a letter agreement. Cazador considers its current office space adequate for its current operations. The cost for this space is included in the monthly fees payable to ACM for services.

Legal Proceedings

There is no litigation currently pending or, to Cazador's knowledge, contemplated against Cazador or any of its officers or directors in their capacity as such.

Periodic Reporting and Financial Information

Cazador has reporting obligations under the Exchange Act, including the requirement that it file annual, quarterly and current reports with the SEC. These filings are available to the public via the Internet at the SEC's website located at http://www.sec.gov. You may also read and copy any document that Cazador files with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. For more information, please call the SEC at 1-800-SEC-0330. You may request a copy of Cazador's filings with the SEC (excluding exhibits) at no cost by writing Cazador at BBVA Building, P1, 254 Muñoz Rivera Avenue, San Juan, Puerto Rico or by telephoning Cazador at (787) 993-9650.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Cazador's financial statements, together with the notes to those statements, included elsewhere in this joint proxy statement/prospectus. Cazador's actual results may differ materially from those discussed in forward-looking statements because of the risks and uncertainties inherent in future events.

Overview

Cazador is an exempted company incorporated on April 20, 2010 in the Cayman Islands with limited liability as a blank check company. Cazador was incorporated for the purpose of effecting a merger, share capital exchange, asset acquisition, share purchase, reorganization or similar business combination, which Cazador refers to throughout this section as its initial business combination, with one or more operating businesses or assets, or target businesses. Cazador will focus on effecting a business combination in developing countries in Central and Eastern Europe, Latin America and Asia, but it may pursue opportunities in other geographical areas.

During 2011, Cazador determined that it no longer qualified as a “foreign private issuer” under applicable SEC rules. As a result, Cazador filed its annual report for its fiscal year ended December 31, 2011 on Form 10-K and has begun to comply with SEC reporting obligations as a domestic issuer. Accordingly, Cazador expects to incur incremental general and administrative expenses in the upcoming quarters.

Presently Cazador is not engaged in, and will not engage in, any operations other than activities related to the search for a suitable target for an initial business combination. Cazador intends to utilize the cash proceeds of its initial public offering and the private placement of the warrants to the Sponsor, Cazador’s share capital, debt or other securities or a combination of the foregoing as the consideration to be paid in an initial business combination.

Cazador has engaged certain agents and/or representatives to identify and/or locate suitable acquisition candidates and Cazador has actively solicited and investigated potential target businesses.

The Cazador Cayman Charter provides that if after 24 months (since the period to complete Cazador’s business combination has been extended because it has, prior to April 14, 2012, entered into a non-binding letter of intent with respect to an initial business combination) from the consummation of Cazador’s initial public offering, or October 14, 2012, it has not consummated an initial business combination, Cazador will be required to repurchase all of the Public Cazador Ordinary Shares and liquidate the trust account and distribute the proceeds pro rata to the holders of Public Cazador Ordinary Shares in return for such shares (which will be subsequently cancelled upon completion of the redemption of such shares). The consummation of the business combination with Net Element is subject to, among other things, effecting the Cazador domestication and obtaining the required shareholder approvals by the Cazador shareholders and the Net Element shareholders. There can be no assurance that a merger will be consummated, and Cazador retains the ability to enter into a letter of intent or definitive transaction agreement with respect to a business combination with another target.

Going Concern and Management’s Plan and Intentions

Cazador believes that the funds available to it outside the trust account, together with the interest income earned on the trust account, will not be sufficient to maintain Cazador until a business combination is consummated. Therefore, on March 23, 2012, Cazador’s Sponsor entered into an agreement with Cazador in which the Sponsor has committed to advance to Cazador, by way of a non-interest bearing loan, an amount of up to $400,000 to cover ongoing costs and expenses relating to Cazador’s operations and in connection with a potential business combination. Cazador believes it is likely that the Sponsor would be willing to make additional loans to Cazador, to the extent that reasonable additional funds are required to fund Cazador’s short-term operation and/or in connection with Cazador’s initial business combination. Based on these factors, Cazador believes that it will have access to sufficient funds to meet its working capital and liquidity needs until the earlier of (i) consummation of an initial business combination or (ii) liquidation of Cazador. As of March 31, 2012, the Sponsor has advanced $6,527.

Liquidity and Capital Resources

At March 31, 2012, total outstanding cash balance available for Cazador's working capital needs amounted to $10,300, and restricted cash held in trust account amounted to $46.2 million. Since Cazador's initial public offering, its only source of revenue has been interest income earned over the net proceeds from Cazador's initial public offering that are currently held in the trust account and invested in United States government securities within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, as amended, or the Investment Company Act, having a maturity of 180 days or less, or in money market funds meeting the conditions under Rule 2a-7 under the Investment Company Act, until the earlier of (i) consummation of an initial business combination or (ii) liquidation of Cazador.

Subject to shareholders' approval, Cazador expects to use substantially all of the net proceeds of its initial public offering to acquire one or more target businesses by identifying and evaluating prospective target businesses, selecting one or more target businesses, and structuring, negotiating and consummating the initial business combination. To the extent Cazador uses its share capital in whole or in part as consideration for an initial business combination, the proceeds held in the trust account (less amounts paid to any holders of Public Cazador Ordinary Shares who properly exercise their shareholder redemption rights and any interest income previously released to Cazador) as well as any other net proceeds not expended prior to that time will be used to finance the operations of the target business or businesses. The funds could be used in a variety of ways including continuing or expanding the target business' operations, for strategic acquisitions and for marketing, research and development of existing or new products. The funds could also be used to repay any operating expenses or finders' fees which Cazador had incurred prior to the completion of its initial business combination if the funds available to Cazador outside of the trust account were insufficient to cover such expenses.

Cazador believes the funds available to it outside of the trust account, together with (i) the interest income earned on the trust account balance that may be released to Cazador to pay any tax obligations and (ii) interest income of up to $2.0 million on the balance of the trust account to be released to Cazador for working capital requirements (so long as Cazador has sufficient funds available to Cazador to pay its tax obligations on such interest income or otherwise then due at that time), will not be sufficient to allow Cazador to operate until October 14, 2012, assuming an initial business combination is not completed during that time, unless either current interest rates increase or Cazador locates an investment which pays a higher interest rate than current interest rates. Cazador expects that its primary liquidity requirements during that period including, but not limited to, expenses relating to: (i) due diligence and investigation of a target business or businesses; (ii) transaction structuring, negotiating and documenting an initial business combination; (iii) reporting requirements; (iv) general working capital; (v) an aggregate of $180,000 for office space, administrative services and support, representing a total of $7,500 per month for up to 24 months (since the period to complete Cazador's business combination has been extended to October 14, 2012, because Cazador has, prior to April 14, 2012, entered into a non-binding letter of intent with respect to an initial business combination); and (vi) additional expenses that may be incurred by Cazador in connection with its initial public offering over and above the amounts originally contemplated in connection with the initial public offering, will be less than $1.25 million. As of March 31, 2012, Cazador has earned $58,700 on interest income and Cazador anticipates that at the current interest rate of approximately 0.2% per annum, the interest that will accrue on the trust account during the time it will take to identify a target and complete an acquisition will be insufficient to fund its working capital requirements.

As a result of the liquidity requirements discussed in the preceding paragraph, Cazador's Sponsor has committed to advance to Cazador by way of a non-interest bearing loan an amount of up to $400,000 to be used to cover Cazador's ongoing costs and expenses relating to its operations and in connection with a potential initial business combination. This commitment was memorialized in a memorandum of understanding dated as of March 23, 2012 between Cazador and Cazador's Sponsor. As of March 31, 2012, Cazador had used $6,527 on the commitment, leaving an outstanding balance of $393,473 at Cazador's disposal. In addition, Cazador believes it is likely that its Sponsor would be willing to make additional loans to Cazador, to the extent that reasonable additional funds are required to fund Cazador's short-term operation and/or in connection with Cazador's initial business combination. Based on these factors, Cazador believes that it will have access to sufficient funds to meet its working capital and liquidity needs until the earlier of (i) consummation of an initial business combination or (ii) liquidation of Cazador.

Cazador is not obligated to pay any taxes in the Cayman Islands on either income or capital gains. As a Cayman Islands exempted company, Cazador has obtained a tax exemption undertaking from the Cayman Islands government that, in accordance with section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to Cazador or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of Cazador Ordinary Shares, debentures or other obligations or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by Cazador to its members or a payment of principal or interest or other sums due under a debenture or other obligation of Cazador.

Results of Operations

On October 14, 2010, Cazador received net proceeds of $40.0 million, before deducting underwriting compensation of $900,000 and $100 for the purchase of 200,000 warrants by the underwriter. On the same date, pursuant to the exercise of the underwriters' over-allotment option, Cazador received $6.0 million before deducting underwriting compensation of $135,000. In addition, immediately before the consummation of the initial public offering, the Sponsor purchased 4.34 million warrants at a price of $0.50 per warrant, which in the aggregate approximates to $2.2 million in proceeds to Cazador. Total gross proceeds to Cazador from the 4.6 million units sold in the initial public offering and the private placement sale of warrants to the Sponsor amounted to $48.2 million.

Through March 31, 2012, Cazador's efforts have been limited to activities related to the organization of the initial public offering of Cazador, the identification and evaluation of prospective acquisition candidates and other general corporate matters. Cazador has not generated any revenues, other than interest income earned on the proceeds held in the trust account.

Year Ended December 31, 2011

For the year ended December 31, 2011, Cazador had a net loss of approximately $677,500, which consisted of interest income of approximately $38,300 less expenses attributable to formation and operating costs of approximately $715,800. For the period from April 20, 2010 (inception) to December 31, 2010, Cazador had a net loss of approximately $158,900, which included interest income of approximately $14,100, offset by formation and operating costs of approximately $173,000. The increase noted in the formation and operating costs is mainly related to higher expenses associated to the identification and evaluation of prospective acquisition candidates.

As of December 31, 2011, Cazador had no contractual commitments other that the service agreement to pay ACM a total of $7,500 per month for accounting, legal and operational support, access to support staff, and information technology infrastructure, which amounted to $90,000, and $18,800 for the year ended December 31, 2011, and the period from April 20, 2010 (inception) to December 31, 2010, respectively.

Three Months Ended March 31, 2012

For the quarter ended March 31, 2012, Cazador had a net loss of approximately $190,200, which consisted of interest income of approximately $6,300 less expenses attributable to formation and operating costs of approximately $196,500. During the quarter ended March 31, 2011, Cazador had a net loss of approximately $96,700, which consisted of interest income of approximately $9,600 less expenses attributable to formation and operating costs of approximately $106,300. The increase noted in the formation and operating costs is mainly related to higher expenses associated to the identification and evaluation of prospective acquisition candidates. For the period from April 20, 2010 (inception) to March 31, 2012, Cazador had a net loss of approximately $1.0 million, which included interest income of approximately $58,700, offset by formation and operating costs of approximately $1.1 million.

As of March 31, 2012, Cazador had no contractual commitments other than the service agreement to pay ACM a total of $7,500 per month for accounting, legal and operational support, access to support staff, and information technology infrastructure, which amounted to $22,500, and $131,300 for the quarter ended March 31, 2012, and the period from April 20, 2010 (inception) to March 31, 2012, respectively.

Cazador expects to continue to generate small amounts of non-operating income in the form of interest income on cash and cash equivalents. Interest income is not expected to be significant in light of current low interest rates on risk free investments (treasury securities). In addition, Cazador expects a substantial increase in expenses for the subsequent annual period provided that Cazador is able to consummate an initial business combination.

Off-Balance Sheet Arrangements

As of December 31, 2011 and March 31, 2012, Cazador did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K and did not have any commitments or contractual obligations, other than in relation to the monthly fee payable to ACM of $7,500 for accounting, legal and operational support, access to support staff, and information technology infrastructure. Such agreement has been in place since October 14, 2010 and shall remain effective until the earlier of (i) the completion of an initial business combination or (ii) dissolution of Cazador.

Recent Accounting Pronouncements

Cazador does not believe that the adoption of any recently issued accounting standards will have a material impact on its financial position and results of operations.

Directors and Executive Officers

Cazador's current directors and executive officers are as follows:

Name	**Age**	**Position**
Francesco Piovanetti	37	Director, Chairman of the Board, Chief Executive Officer, Chief Financial Officer and President
Facundo Bacardí	65	Director
David P. Kelley II	54	Director
Shai Novik	46	Director
Carlos Valle	52	Director

Francesco Piovanetti, Director, Chairman of the Board, Chief Executive Officer, Chief Financial Officer and President. Mr. Piovanetti has served as Cazador's Director, Co-Chief Executive Officer, Chief Financial Officer and President since April 20, 2010 and as the Chairman of Cazador's Board and sole Chief Executive Officer as of March 23, 2012. Mr. Piovanetti has served as ACM's President since its formation. He is also the Chief Executive Officer, President, Chief Operating Officer, and Director of Arco. Mr. Piovanetti has more than a decade and a half of experience working in various areas of corporate finance, capital markets and investment banking. From 2003 to

2006, Mr. Piovanetti served as Managing Director for Asset Sourcing at Gramercy. Prior to joining Gramercy, from 1997 to 2003, Mr. Piovanetti was employed as an Analyst and later as an Associate, a Vice President and then as a Director at Deutsche Bank in its Structured Capital Markets Group, which executed proprietary and client arbitrage transactions. From 1995 to 1997, he was a Senior Analyst in Deloitte & Touche’s Corporate Finance Group, where he consulted in the areas of commercial lending, mergers and acquisitions, management buyouts, capital sourcing and valuation services. Mr. Piovanetti received B.A. in Economics and B.S. in Finance from Bryant University, and an M.B.A. from Columbia Business School. The skills and vast experience of Mr. Piovanetti in emerging markets, investment banking and corporate finance makes him qualified to serve as Chairman of the Cazador Board.

Facundo Bacardí, Director. Mr. Bacardí has served as a Cazador Director since August 2010. Mr. Bacardí is a member of the family that owns Bacardí Limited, one of the largest family owned companies in the worldwide liquor manufacturing and distributing business. At Bacardí Limited, he served as executive officer and director in Brazil and Trinidad. Mr. Bacardí was responsible for the creation of Bacardí Centroamericana, S.A. in 1980, which was sold in 1991. He has served as President and Director of Suramericana de Inversiones, S.A. since 1995, an investment company in Panama that he founded in 1995. Mr. Bacardí was also Chairman and President of Nations Flooring, a flooring and window dressing company, between 1995 to 2004. From 1993 to 2000, he served as a director of CTA Industries, Inc., an insulation manufacturer. He also served as a director of JSM Holdings, Corp., an investment company, from 2003 to 2007. He graduated with a Bachelors of Science from Babson College in 1967. Cazador believes that Mr. Bacardí's extensive experience and knowledge of businesses in emerging markets make him qualified to serve as a Cazador Director.

David P. Kelley II, Director. Mr. Kelley has served as a Cazador Director since August 2010. Mr. Kelley is a partner of Zenith Capital Partners, LLC, a private equity firm located in New York, where he has served since 2006, and a founding partner of Andover Partners Strategic Security Solutions, LLC (AP-S3, LLC), a security and intelligence consulting firm, where he has served since December 2009. From 1985 to 1988, Mr. Kelley was a tax lawyer in the law firm of Brown and Wood located in New York. From 1988 to 1991, Mr. Kelley worked at Merrill Lynch in New York, where he was promoted to a Director of the Global Swap Group. From 1991 to 1994 Mr. Kelley was a Managing Director at UBS Securities in New York, in charge of the U.S. Structured Products Group. From 1994 to 1998, Mr. Kelley was a Managing Director and Head of the Global Structured Products Group at Deutsche Bank Securities in New York. From 1998 to 2006, Mr. Kelley was a Managing Director of Integrated Capital Associates, a private equity firm, located in New York. Mr. Kelley is currently a Director of the Apex-Guotai Junan Greater China Fund, headquartered in Hong Kong. Mr. Kelley graduated from Emory University with a BA degree in 1979. He graduated with a J.D. degree from Temple University School of Law in 1983, and he received an L.L.M. in Taxation from New York University School of Law in 1985. Cazador believes that Mr. Kelley's vast experience as a consultant and member of multiple different oversight bodies, provides him with the necessary skills to be qualified to serve as a Cazador Director.

Shai Novik, Director. Mr. Novik has served as a Cazador Director since August 2010. Mr. Novik has served as the President and a director of PROLOR Biotech since 2005. From 2003 to 2005, Mr. Novik was the Managing Director of A.S. Novik, a private investment firm, and from 2000 to 2002, he was Managing Director of A-Online Capital, an investment firm. Mr. Novik previously served as Chief Operating Officer and Head of Strategic Planning of THCG, a technology and life sciences investment company, from 1998 to 2000. THCG was a portfolio company of Greenwich Street Partners, a large U.S.-based private equity fund. THCG’s portfolio included several life sciences and medical device companies. Prior to his position at THCG, Mr. Novik served as Chief Operating Officer and Chairman of Strategy Committee of RogersCasey, an investment advisory company serving Fortune 500 companies such as DuPont, Kodak, General Electric and others, from 1994 to 1998. Mr. Novik is the co-founder and Chairman of the Board of Stentomics Inc., a private drug-eluting stent technology company developing next-generation, polymer-free drug-eluting stent solutions. Mr. Novik also serves on the boards of the privately-held companies Ucansi Inc., a company developing non-invasive vision correction products, and Odysseus Ventures Ltd., a managing partner of a small venture fund. Mr. Novik served for seven years in the Israeli Defense Forces, and received his M.B.A., with Distinction, from Cornell University. Cazador believes that his knowledge and skills in emerging markets, along with his experience as member of various oversight bodies, including public companies, make him qualified to serve as a Cazador Director.

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Carlos Valle, Director. Mr. Valle has served as a Cazador Director since August 2010. He is also the Chairman of the Board of Directors of Arco. Mr. Valle is a seasoned professional with broad global experience in finance. In May 2009, Mr. Valle retired from Merrill Lynch & Co. where he served for over 20 years in many diverse assignments. His expertise includes Leveraged Finance, Corporate Bonds, Structured Finance, Private Equity and Sales Management of both, Institutional Fixed Income and Equities as well as International High Net Worth Private Clients. Prior to Merrill Lynch, Mr. Valle was a bond analyst for a major Insurance company. He holds a Bachelor of Science degree from the Wharton School, University of Pennsylvania and an M.B.A. from the Darden School, University of Virginia. Mr. Valle served as Adjunct Professor at the Darden School in the Spring of 2010 and acts as advisor to various boards of directors. His knowledge and skills of corporate finance, coupled with his vast experience as a member and advisor to several boards of directors, allow him to make valuable contributions to the Cazador board in its oversight functions, and, therefore, make him qualified to serve as a Cazador Director.

Family Relationships

There are no family relationships among Cazador's executive officers and directors.

Director Independence

The NASDAQ Capital Market requires that a majority of the Cazador board be composed of "independent directors," which is defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship, which, in the opinion of the company's board of directors would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director.

The Cazador board has determined that except for Mr. Piovanetti, each of Cazador's directors are independent directors as such term is defined in Rule 10A-3 of the Exchange Act and the rules of The NASDAQ Capital Market. Cazador's independent directors have regularly scheduled meetings at which only independent directors are present.

Any affiliated transactions will be on terms no less favorable to Cazador than could be obtained from independent parties. Any affiliated transactions must be approved by a majority of Cazador's independent and disinterested directors.

Terms of Office of Directors and Officers

The Cazador board is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. The term of office of the first class of directors, consisting of Facundo Bacardí and Shai Novik, will expire at the first annual general meeting of Cazador's shareholders. The term of office of the second class of directors, consisting of David P. Kelley II and Carlos Valle, will expire at the second annual general meeting of Cazador's shareholders. The term of office of the third class of directors, consisting of Francesco Piovanetti, will expire at the third annual general meeting of Cazador's shareholders.

Cazador does not have an established and defined term for the services being provided by its executive officers. If one or more of Cazador's executive officers or directors remain associated in some capacity with Cazador following the business combination, it is unlikely that any of them will devote their full efforts to Cazador's affairs subsequent to the business combination.

On March 23, 2012, the Cazador board accepted the resignation of Mr. Jay Johnston as Chairman of the Board, Director, and Co-Chief Executive Officer of Cazador. Mr. Francesco Piovanetti replaced Mr. Johnston as Chairman of the Board and now serves as sole Chief Executive Officer of Cazador. Mr. Piovanetti remains as the Company's Chief Financial Officer and President. Mr. Piovanetti will not be compensated for his services as an executive officer or chairman of Cazador.

Audit Committee and Audit Committee Financial Expert

The audit committee of Cazador is composed of Carlos Valle (Chairman), Facundo Bacardi, David P. Kelly II and Shai Novik. All members of the audit committee are independent directors who are financially literate, as required by The NASDAQ Capital Market listing standards. Further, the Cazador board has determined that Carlos Valle is financially sophisticated and that he qualifies as an "audit committee financial expert," as defined under the rules and regulations of the SEC.

The audit committee's duties, which are specified in Cazador's Audit Committee Charter, include, but are not limited to:

- reviewing and discussing with management and Cazador's independent auditor the annual audited financial statements, and recommending to the Cazador board whether the audited financial statements should be included in Cazador's Annual Report on Form 10-K;

- discussing with management and Cazador's independent auditor significant financial reporting issues and judgments made in connection with the preparation of Cazador's financial statements;

- discussing with management major risk assessment and risk management policies;

- monitoring the independence of Cazador's independent auditor;

- verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;

- reviewing and approving all related-party transactions. The audit committee will consider all relevant factors when determining whether to approve a related party transaction, including whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction;

- inquiring of and discussing with management Cazador's compliance with applicable laws and regulations;

- pre-approving all audit services and permitted non-audit services to be performed by Cazador's independent auditor, including the fees and terms of the services to be performed;

- appointing or replacing Cazador's independent auditor;

- reviewing Cazador's proxy disclosure;

- determining the compensation and oversight of the work of Cazador's independent auditor (including resolution of disagreements between Cazador's management and Cazador's independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;

- establishing procedures for the receipt, retention and treatment of complaints received by Cazador regarding accounting, internal accounting controls or reports which raise material issues regarding Cazador's financial statements or accounting policies;

- approving reimbursement of expenses made to and incurred by Cazador's Sponsor, officers, directors or their affiliates. Any reimbursements or payments made to members of Cazador's audit committee will be reviewed and approved by the Cazador board, with the interested director or directors abstaining from such review and approval; and

- monitoring compliance on a quarterly basis with the terms of Cazador's initial public offering and, if any noncompliance is identified, immediately taking all action necessary to rectify such noncompliance or otherwise causing compliance with the terms of Cazador's initial public offering.

Nominating Committee

The nominating committee of Cazador is composed of David P. Kelley II (Chairman), Facundo Bacardi, Shai Novik and Carlos Valle, each of whom is an independent director under the NASDAQ Capital Market listing standards. The nominating committee is responsible for overseeing the selection of persons to be nominated to serve on the Cazador board. The nominating committee considers persons identified by its members, management, shareholders, investment bankers and others.

Code of Ethics and Board Committee Charters

Cazador has adopted a code of ethics that applies to its officers, directors and employees and has filed copies of its code of ethics and its board committee charters as exhibits to its registration statement on Form F-1 (Registration No. 333-169231). You will be able to review these documents by accessing Cazador's public filings and on Cazador's website at *www.cazador1.com*. You may request a free copy of these documents from:

Cazador Acquisition Corporation Ltd.

Attn: Francesco Piovanetti, Chairman of the Board, Chief Executive Officer,

Chief Financial Officer and President

BBVA Building, P1

254 Muñoz Rivera Avenue

San Juan, Puerto Rico 00918

Tel: (787) 993-9650

Cazador intends to disclose any amendments to or waivers of certain provisions of its code of ethics in a Form 8-K.

Conflicts of Interest

Each of Cazador's executive officers may be deemed an affiliate of any company for which he serves as an officer or director with respect to which that executive officer otherwise has a pre-existing fiduciary duty and a conflict of interest could arise if an opportunity is appropriate for one of such companies. Thus, Cazador may not be able to pursue opportunities that otherwise may be attractive to Cazador unless these companies and entities have declined to pursue such opportunities. These pre-existing fiduciary duties may limit the opportunities that are available to Cazador to consummate its initial business combination.

In summary, directors and officers owe the following fiduciary duties under Cayman Islands law:

- duty to act in good faith in what the directors believe to be in the best interests of the company as a whole;

- duty to act in good faith in what the directors believe to be in the best interests of the company as a whole;

- directors should not impinge upon the exercise of future discretion;

- duty to exercise powers fairly as between different sections of shareholders;

- duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests; and

- duty to exercise independent judgment.

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In addition to the above, directors also owe a duty of care which is not fiduciary in nature. This duty has been defined as a requirement to act as "a reasonably diligent person" having both:

- the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company; and

- the general knowledge skill and experience which that director has.

As set out above, directors have a duty not to put themselves in a position of conflict and this includes a duty not to engage in self-dealing, or to otherwise benefit as a result of their position. However, in some instances what would otherwise be a breach of this duty can be forgiven and/or authorized in advance by the shareholders provided that there is full disclosure by the directors. This can be done by way of permission granted in the memorandum and articles of association or alternatively by shareholder approval at general meetings.

As a result of multiple business affiliations, Cazador's officers and directors may have similar legal obligations relative to presenting business opportunities meeting the criteria Cazador will look for in a target business, listed elsewhere in the this joint proxy statement/prospectus, to multiple entities. In addition, conflicts of interest may arise when Cazador's board evaluates a particular business opportunity with respect to such criteria. The Cazador Cayman Charter states that should a director have a conflict of interest, the interested director must disclose such conflict to the Cazador board.

You should be aware of the following other potential conflicts of interest:

- None of Cazador's officers and directors is required to commit their full time to Cazador's affairs and, accordingly, they may have conflicts of interest in allocating their time among various business activities.

- In the course of their other business activities, Cazador's officers and directors may become aware of investment and business opportunities which may be appropriate for presentation to Cazador as well as the other entities with which they are affiliated. Due to any existing and future affiliations, Cazador's officers and directors may have fiduciary or contractual obligations to present potential business opportunities to other entities as well as presenting them to Cazador. Cazador's management may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

- In the future, Cazador's officers and directors may seek to organize, promote or become affiliated with other entities, including other blank check companies that may, among other things, focus on target businesses in emerging markets.

- The Cazador Ordinary Shares and underlying securities owned by the Sponsor may not be released from escrow until one year after the successful consummation of an initial business combination, and the warrants purchased by the Sponsor and any warrants that the Sponsor, which includes all of Cazador's directors and executive officers, may purchase in the secondary market may expire worthless if an initial business combination is not consummated. Additionally, the Sponsor will not receive liquidation distributions with respect to any of its Cazador Ordinary Shares. Furthermore, the Sponsor has agreed that it will not sell or transfer the warrants held by it (except under limited circumstances) until six months after Cazador has completed its initial business combination. The Sponsor's desire to avoid rendering its securities worthless may result in a conflict of interest when it determines whether it is appropriate to enter into an initial business combination with a particular target business and the conflict of interest will increase as Cazador approaches October 14, 2012 if Cazador has not consummated an initial business combination.

- Cazador's officers and directors may have a conflict of interest with respect to evaluating a particular business combination if the retention or resignation of any such officers and directors were included by a target business as a condition to any agreement with respect to an initial business combination.

Cazador's Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve an initial business combination. Cazador has agreed not to consummate an initial business combination with an entity which is affiliated with any of Cazador's directors, executive officers or the Sponsor, including an entity or fund that is either a portfolio company of, or has otherwise received a material financial investment from, any fund or investment company (or an affiliate thereof) that is affiliated with such individuals or entities, unless opinion from an independent investment banking firm that the business combination is fair to Cazador's unaffiliated shareholders from a financial point of view and a majority of Cazador's disinterested independent directors approve the transaction. Cazador currently does not anticipate entering into an initial business combination with an entity affiliated with any of its directors, its officers or its Sponsor. Furthermore, in no event will any of Cazador's existing officers, directors, Sponsor, or any entity or individual with which they are affiliated, be paid any finder's fee, consulting fee or other compensation prior to, or for any services they render in order to effectuate, the consummation of an initial business combination (regardless of the type of transaction that it is).

Limitations on Liability and Indemnification of Directors and Officers

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. The Cazador Cayman Charter provides for indemnification of Cazador's officers and directors for any liability incurred in their capacities as such, except through their own actual fraud or willful default. Cazador has entered into agreements with its officers and directors to provide contractual indemnification in addition to the indemnification provided for in the Cazador Cayman Charter. Cazador believes that these provisions and agreements are necessary to attract and retain qualified directors. The Cazador Cayman Charter also permits Cazador to secure insurance on behalf of any officer, director or employee for any liability arising out of his or her actions, regardless of whether Cayman Islands law would permit such indemnification. Cazador has purchased a policy of directors’ and officers’ liability insurance that insures its directors and officers against the cost of defense, settlement or payment of a judgment in some circumstances and insures Cazador against its obligations to indemnify its directors and officers.

These provisions may discourage shareholders from bringing a lawsuit against Cazador's directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against Cazador's directors and officers, even though such an action, if successful, might otherwise benefit Cazador and its shareholders. Furthermore, a shareholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Cazador believes that these provisions, the insurance and the indemnity agreements are necessary to attract and retain talented and experienced directors and officers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Cazador's officers, directors and persons who beneficially own more than 10% of the Cazador Ordinary Shares to file reports of ownership and changes in ownership with the SEC. These reporting persons are also required to furnish Cazador with copies of all Section 16(a) forms they file. Based solely upon a review of such forms, management of Cazador believes that all of these reports were filed in a timely manner.

Executive Compensation

Cazador's officers and directors have not received any compensation for services rendered. Commencing on October 14, 2010, the date of Cazador's initial public offering, through the earlier of consummation of Cazador's initial business combination or the liquidation of Cazador's trust account, Cazador will pay ACM a total of $7,500 per month for accounting, legal and operational support, access to support staff, and information technology infrastructure. Cazador believes that such fees are at least as favorable as it could have obtained from an unaffiliated third party for such services. No compensation of any kind, including finders' and consulting fees, will be paid either by Cazador or by any affiliated entity for services rendered to Cazador by any of officers and directors, the Sponsor or any of their respective affiliates, for services rendered prior to or in connection with the consummation of an initial business combination. However, these individuals will be reimbursed for any out-of-pocket expenses incurred in connection with activities on Cazador's behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. There is no limit on the amount of reimbursement these individuals may receive. After an initial business combination, members of Cazador's management team who remain with Cazador may be paid consulting, management or other fees from the combined company with any and all amounts being fully disclosed to shareholders, to the extent then known, in the proxy solicitation materials furnished to Cazador's shareholders. It is unlikely the amount of such compensation will be known at the time of a shareholder meeting held to consider an initial business combination, as it will be up to the directors of the post-combination business to determine executive and director compensation. Cazador does not have a long-term incentive plan or pension plan and do not provide retirement benefits to its employees. Cazador has no plans or arrangements that result in the compensation of an executive officer or director in the event such person's employment is terminated following a change of control.

Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The following table sets forth information regarding the beneficial ownership of Cazador Ordinary Shares as of June 11, 2012 by each person known by Cazador to be the beneficial owner of more than 5% of the outstanding Cazador Ordinary Shares.

Unless otherwise indicated, Cazador believes that all persons named in the table have sole voting and investment power with respect to all Cazador Ordinary Shares beneficially owned by them. Each of these persons has the same voting rights as Cazador's other public shareholders.

Cazador has based its calculation of the percentage of beneficial ownership on 5,750,000 Cazador Ordinary Shares outstanding as of June 11, 2012.

Name and Address of **Beneficial Owner**	Amount and Nature of Beneficial Ownership	Approximate Percentage of Outstanding Common Stock(2)	
Cazador Sub Holdings Ltd.(1) (2)	1,150,000	20.0	%
Bulldog Investors Park 80 West Plaza Two Suite 750 Saddle Brook, NJ 07663	578,313	10.1	%
Polar Securities Inc. 372 Bay St. 21st Floor Toronto, ON M5H 2W9	560,000	9.7	%
AQR Capital Management LLC Two Greenwich Plaza Greenwich, CT 06830	393,184	6.8	%
Deutsche Bank AG Taunusanlage 12 Frankfurt, Germany, 60325	355,205	6.2	%
	350,000	6.1	%

JMG Capital Partners LP
1999 Avenue of the Stars
Suite 2530
Los Angeles, CA 9006

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(1) The registered office address of the shareholder is c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

(2) Cazador Sub Holdings Ltd. is wholly owned by Arco Group LLC (of which Francesco Piovanetti is an ultimate beneficiary).

According to Continental Stock Transfer and Trust Company, Cazador's transfer agent, there were a total of 5,750,000 Cazador Ordinary Shares as of December 31, 2011. According to Cazador's register of shareholders, as of December 31, 2011, there were three holders of record of Cazador Ordinary Shares.

The Sponsor purchased 4.34 million warrants at a price of $0.50 per warrant (approximately $2.2 million in the aggregate) upon consummation of Cazador's initial public offering. The warrants were purchased separately by the Sponsor and not in combination with Cazador Ordinary Shares or in the form of units. Cazador's determination of the purchase price of the Sponsor's warrants was based on the terms of such warrants, including restrictions on transferability, and an analysis of recent market values of warrants of similarly structured blank check companies. The purchase price of the Sponsor's warrants was added to the proceeds from Cazador's initial public offering to be held in a trust account pending the completion of the business combination. If Cazador does not complete a business combination that meets the criteria described elsewhere in this joint proxy statement/prospectus and Cazador is forced to liquidate, then the approximately $2.2 million purchase price of the Sponsor's warrants will become part of the distribution to the holders of Public Cazador Ordinary Shares and the Sponsor's warrants will expire worthless. The Sponsor's warrants are identical to the warrants underlying the units sold in Cazador's initial public offering, except that the Sponsor's warrants (i) are non-redeemable, so long as they are held by any of the Sponsor or its permitted transferees (ii) are exercisable on a cashless basis at the election of the holder, so long as they are held by any of the Sponsor or its permitted transferees, rather than at Cazador's sole discretion and (iii) are not transferable or saleable by the Sponsor (except to permitted transferees) until six months after the consummation of the initial business combination. In addition, Cazador's Sponsor and its beneficial owners will agree not to transfer its ownership interests in the Sponsor or to take any steps to cause the Sponsor to issue new ownership interests to anyone other than a permitted transferee. The Sponsor's warrants are not exercisable and will be held in escrow while they are subject to such transfer restrictions. In addition, the holders of the Sponsor's warrants and the underlying Cazador Ordinary Shares are entitled to certain registration rights described herein. Cazador will bear the expenses incurred in connection with the filing of any such registration statements, other than underwriting commissions which will be paid for by the holders themselves. Upon completion of Cazador's initial public offering, the Sponsor placed its warrants and Cazador Ordinary Shares into an escrow account maintained by Continental Stock Transfer & Trust Company, acting as escrow agent.

Securities Authorized for Issuance Under Equity Compensation Plans

Cazador has no compensation plans under which equity securities are authorized for issuance.

Certain Relationships, Related Transactions and Director Independence

Cazador issued 1,437,500 Cazador Ordinary Shares to the Sponsor for an aggregate of $25,000 in cash, at a purchase price of approximately $0.01739 per share on June 16, 2010. On October 5, 2010, Cazador repurchased 287,500 of Cazador Ordinary Shares from the Sponsor for an aggregate purchase price of $1.00. As a result of the repurchase, the Sponsor currently owns 1,150,000 Cazador Ordinary Shares, which are referred to as the Sponsor's shares.

On June 16, 2010, the Sponsor agreed to purchase an aggregate of 4.34 million warrants at a price of $0.50 per warrant ($2.2 million in the aggregate) in a private placement that took place upon consummation of Cazador's initial public offering. Total proceeds from this private placement were added to the proceeds of Cazador's initial public offering. If Cazador does not complete an initial business combination prior to October 14, 2012 (24 months from the closing of Cazador's initial public offering since the period to complete its business combination has been extended because Cazador, prior to April 14, 2012, entered into a non-binding letter of intent with respect to an initial business combination), then the $2.2 million will be part of the liquidating proceeds from Cazador's trust account to holders of Public Cazador Ordinary Shares, and the Sponsor's warrants will expire worthless. The Sponsor's warrants are identical to the warrants underlying the units sold in Cazador's initial public offering, except that the Sponsor's warrants (i) are non-redeemable so long as they are held by any of the Sponsor or their permitted transferees; (ii) are exercisable on a cashless basis at the election of the holder, so long as they are held by any of the Sponsor or their permitted transferees; and (iii) are not transferable or saleable by the Sponsor (except to permitted transferees) until six months after Cazador completes the initial business combination. The Sponsor's warrants are not exercisable and will be held in escrow while they are subject to such transfer restrictions.

The Sponsor, its beneficial owners and permitted transferees are entitled to registration rights with respect to their Cazador Ordinary Shares and warrants pursuant to an agreement signed prior to the effective date of Cazador's initial public offering. Cazador's Sponsor or, in the case of a permitted transfer, the majority of the permitted transferees are entitled to an aggregate of four demands that Cazador register their securities. They can elect to exercise these rights with respect to Cazador Ordinary Shares, warrants and any units purchased in Cazador's initial public offering or the secondary market (including Cazador Ordinary Shares and warrants comprising any of the units and the Cazador Ordinary Shares underlying any of the warrants) after the consummation of Cazador's initial business combination, provided that they may not offer or sell any of the related securities under that registration statement until, at the earliest, those securities are released from escrow, under the terms of the escrow agreement, and provided, further, that the estimated market value of the securities to be registered is at least $500,000 in the aggregate. Cazador Ordinary Shares and warrants that were purchased by the Sponsor in Cazador's initial public offering and their permitted transferees also have certain "piggy-back" registration rights with respect to registration statements filed pursuant to such agreement. In general, Cazador will bear the expenses incurred in connection with the filing of any such registration statements, other than underwriting commissions which will be paid for by the holders themselves.

Commencing on the effective date of Cazador's initial public offering, October 14, 2010, through the acquisition of the target business or Cazador's compulsory repurchase of all of the Public Cazador Ordinary Shares and liquidation of its trust account, Cazador will pay ACM a total of $7,500 per month for accounting, legal and operational support, access to support staff, and information technology infrastructure. In the normal course of business, Cazador will enter into contracts that contain a variety of indemnifications. Cazador's maximum exposure under these arrangements is unknown. Cazador does not anticipate recognizing any loss relating to these arrangements.

On March 23, 2012, Cazador's Sponsor entered into an agreement with Cazador in which the Sponsor has committed to advance to Cazador, by way of a non-interest bearing loan, an amount of up to $400,000 to cover ongoing costs and expenses relating to Cazador's operations and in connection with a potential business combination. As of June 11, 2012, the Sponsor has advanced $334,930 to Cazador.

Cazador reimburses its officers and directors and their respective affiliates for any reasonable out-of-pocket business expenses incurred by them in connection with certain activities on Cazador's behalf, such as identifying and investigating possible target businesses and business combinations. There is no limit on the amount of out-of-pocket expenses that could be incurred; provided, however, that to the extent such out-of-pocket expenses exceed the available proceeds not deposited in the trust account and interest income of up to $2.0 million on the balance in the trust account, such out-of-pocket expenses would not be reimbursed by Cazador unless it consummates its initial business combination. Cazador's audit committee will review and approve all payments made to its officers, directors, the Sponsor and their respective affiliates, and any payments made to members of Cazador's audit committee will be reviewed and approved by the Cazador board, with the interested director or directors abstaining from such review and approval.

Other than reimbursable out-of-pocket expenses payable to Cazador's officers and directors and their respective affiliates and the monthly payments for office space, no compensation or fees of any kind, including finder's fees, consulting fees or other similar compensation, are or will be paid to any of Cazador's officers, directors, the Sponsor or to any of their respective affiliates, prior to or with respect to the initial business combination (regardless of the type of transaction that it is).

All ongoing and future transactions between Cazador and any member of its management team or their respective affiliates, including loans by members of Cazador's management team, are or will be on terms believed by Cazador at that time, based upon other similar arrangements known to Cazador, to be no less favorable than are available from unaffiliated third parties. Such transactions or loans, including any forgiveness of loans, will require prior approval in each instance by Cazador's audit committee who had access, at Cazador's expense, to Cazador's attorneys or independent legal counsel. Cazador may obtain estimates from unaffiliated third parties for similar goods or services to ascertain whether such transactions with affiliates are on terms that are no less favorable to Cazador than are otherwise available from such unaffiliated third parties. If a transaction with an affiliated third party were found to be on terms less favorable to Cazador than with an unaffiliated third party, Cazador would not engage in such transaction.

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INFORMATION ABOUT NET ELEMENT

Business Description

Net Element develops and operates online media websites in the film, motorsport and emerging music talent markets, and is developing additional sites and services in these markets as well as the legal information and peer-to-peer application markets, each as more fully described below. Net Element intends to continue to seek additional opportunities, including in emerging markets, to exploit its technologies in other vertical markets. In addition, Net Element soon intends to operate a mobile commerce platform for Russia and other emerging markets.

Today NETE is a technology driven internet group with websites that fit within one of two general categories, the first being mobile commerce and payment processing for electronic commerce and the second being entertainment and culture internet destinations.

Mobile commerce and payment processing for electronic commerce

TOT Money

TOT Money, OOO (a Russian limited liability company) is an indirect wholly owned subsidiary of Net Element that was recently formed to adapt the existing revenue sharing platform used in Openfilm.com to a mobile commerce payment processing platform. TOT Money is in the process of applying for and obtaining required licenses in Russia and is exploring financing alternatives.

LegalGuru

LegalGuru LLC is developing a video-centric, legal information portal (legalguru.com) that will allow licensed attorneys (or Gurus) to brand themselves by posting relevant information content related to each attorney's respective practice concentration. Net Element is preparing to launch legalguru.com by the end of 2012. LegalGuru's proprietary search algorithm allows the delivery of targeted search results optimized to display local attorneys to the user. LegalGuru will be launched as an Internet website and plans to have mobile applications for both iOS and Android smart phones.

Revenue Streams

LegalGuru will seek to generate revenue from up to five different sources: membership fees, connection fees, white label content fees, partner fees and video production fees. Net Element expects that certain revenue will be derived from the user portion of the site and others from the site when an attorney is logged in and viewing the functionality related to the attorney’s account and related content (the dashboard).

- Membership Fees – LegalGuru will be open to any licensed attorney in the United States. Net Element plans to charge attorneys a monthly membership fee depending on the level of functionality desired, initially expected to range from $29 to $99 per month.

- Connection Fees – LegalGuru's proprietary video player has built-in functionality that will permit a user to instantly contact an attorney or his or her law firm via click-to-call, click-to-chat, click-to-email or click-to-visit the attorney's or law firm's web site. Each time a user selects a method to connect with an attorney or law firm and the connection is completed, the attorney's account will be charged for the connection.

- White Label Content Fees – LegalGuru will produce video content on a wide variety of legal topics that will be available to Net Element's attorney member base on a month-to-month basis. While the content may be the same in every geographic area (or zip code), the sponsoring attorney's firm logo would be displayed based on the viewing user's location and the contact functionality on the video player will correspond to the law firm sponsoring the content. The amount charged for each piece of content per month would be set by the sponsoring attorney, but Net Element's platform would allow other attorneys who want to sponsor each piece of content to bid for and potentially outbid the initial sponsoring attorney for the sponsorship.

- Partner Fees – LegalGuru will establish separate partner categories, some on both the user site and the attorney dashboard and others on only the user site or only the attorney dashboard. Net Element intends to sell each available category on a geographic basis. For example, the user site may have categories such as chiropractic, pain management, bail bonds, legal documents, etc. Each user zip code (as identified by the user's Internet address or self-identified by the user) can have a unique advertiser or one advertiser could sponsor an entire county, state or country. Similar to the functionality for white label content, a new sponsor who is willing to pay more for a particular geographic area can bid for and potentially outbid the current sponsor in an auction format. This is intended to help ensure, once the system is fully operational, a true market price of each piece of inventory (category and geographic area).

- Video Production Fees – LegalGuru, through a vendor agreement with StudioNow, Inc., an AOL company, will offer a complete video production solution for attorneys who want to produce professional quality video clips. The attorney would select the quantity and category of videos on the site, pay for the selected videos and the production of the videos would then be scheduled, coordinated, recorded, edited and approved using a LegalGuru labeled automated solution.

LegalGuru has at least three different types of target customers: practicing attorneys as "Gurus"; Internet users who seek legal information; and advertisers who want to reach either users focused on legal searches or attorneys as sponsors of content.

Yapik and Komissionka

Yapik is developing and deploying a peer-to-peer communication and bartering application and service for mobile devices operating within and around colleges and universities. Additional goals of Yapik LLC include developing a virtual currency to broaden usage and provide new digital experiences with 3rd party goods and services. Net Element has launched a beta test version of the Yapik mobile application on Android and iOS platforms at Florida International University, University of Florida and University of Miami with plans to launch at up to 10 additional universities if the beta launches prove successful.

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Komissionka is a Russian version of the Yapik mobile application, which will enable users to buy, sell, barter or trade goods and services using geo-based (or location-based) technologies. The Komissionka application is expected to be introduced to the Russian marketplace on pre-loaded smartphones sold by mobile phone operator MegaFon in the third quarter of 2012.

Both Yapik and Komissionka will use a "freemium" model, whereby only a small portion of the users will pay for the service. All users will be restricted in amount of monthly activity that they can engage within the application, and those that exceed the threshold will have to pay a monthly transactional fee (expected to be offered in monthly subscription packages based on desired activity volume).

Another potential source of revenue for Yapik and Komissionka will be through use of a virtual currency. It is expected that users will be charged a percentage convenience fee for the use of a virtual currency within the application. Another feature planned for Yapik is the ability to convert existing loyalty programs (for example, airline miles or reward points accumulated with credit card companies) into a virtual currency which can be used within the application.

Entertainment and culture internet destinations

Music1 and Music1 Russia

Net Element recently organized a Russian limited liability company called Music1 (“Music1 Russia”) in order to partner with Igor Yakovlevich Krutoy, a Russian composer, performer, producer and musical promoter. Music1 Russia will promote Net Element’s music1.com platform in the Commonwealth of Independent States (CIS) countries (comprised of participating states of the former Soviet Union). This platform is expected to be localized to the CIS market and released in the third quarter of 2012, leveraging digital assets of Igor Yakovlevich Krutoy and his affiliate companies, which is expected to include the involvement of record label ARS Holding and NewWave International contest (comparable to American Idol in United States). Both domain names Music1.com and Music1.ru are planned to be used for this Music1 endeavor. Revenues are expected to be generated through third party advertising on the platform and royalty fees in connection with content distribution.

In addition to Music1 Russia, the company owns 97% of the membership interests in A&R Music Live, LLC (which operates Arlive.com). Music1, LLC, through its subsidiary A&R Music Live, is engaged principally in the discovery, education and promotion of new and emerging musical artists. A&R Music Live provides an artist discovery service called the A&R Live Hookup Service.

A&R Live Hookup Service

A&R Live Hookup Service (Arlive.com) provides unsigned artists, producers and songwriters (collectively, “Artists”) an opportunity to speak directly with record company personnel (also known as A&R (artist and repertoire)) responsible for scouting, signing and recording of artists on a record company roster, learn the music business and have their music reviewed live by record company A&R professionals and receive feedback and the possibility of a record company contract. Users of this service come from all over the world and pay a fee for access to industry A&R professionals, and can participate by phone, Internet or mobile devices. Arlive.com currently supports and promotes the following music genres: Adult Contemporary, Alternative, Christian, Country, Dance, Gospel, Hip Hop, Jazz, Neo-soul, Pop, Rap, R&B and Rock.

The A&R Live Hookup Service has hosted more than 2,900 online music listening sessions and workshops with top industry executives since 2001. Even Grammy award-winning recording artists, such as India Arie and TLC, have used Arlive.com services to advance their careers before they became top industry acts. Other attendees of listening sessions and workshops have landed major label production work and television licensing deals that featured their music on internationally broadcasted TV shows on MTV and Oprah’s Oxygen network. Most recently, Emphatic, a rock band from Omaha, Nebraska, signed a major record deal with Atlantic Records as a result of having their music showcased on the A&R Live Hookup Service.

Record executives and alumni who have reviewed music on the A&R Live Hookup Service have worked with some of the biggest names in the American music industry. Since 2001, A&R professionals from, or formerly associated with, the following companies have reviewed music from aspiring talent on the A&R Live Hookup Service: Aftermath Entertainment, Asylum Records, Atlantic Music Group, ASCAP, Bad Boy Entertainment, BMG Publishing, BMI, Capitol Records, Cherry Lane Music Publishing, Compadre Records, Def Jam Recordings, Disney Music Publishing, Geffen Records, Island Def Jam Records, Hidden Beach Recordings, Interscope Records, J-Records, Jive Records, Koch Records, Maverick Records, Motown Universal, Music World Entertainment, MTV’s The Real World, RCA Music Group, SESAC, Shady Records, So So Def, Interscope, Universal Music Group, TVT Records, Verity-Gospel Centric Records, Warner Bros. Records and others. In some cases, A&R Music Live may pay a small stipend to A&R professionals for their appearance at a listening session or workshop.

Net Element believes the opportunity is in DIY (do-it yourself) systems - providing music shopping, digital music education and fan-generation services to aspiring talent to help them monetize their content, music review and screening technologies to filter the best music for talent discovery and digital music services and fan generation.

Revenue Streams

A&R Music Live currently derives revenue from music review transaction services, which are described more fully below.

Future revenue streams are expected to be derived from advertising and targeted marketing/sponsorship arrangements, selling access to social analytic data, music review services, music licensing and publishing, MP3 sales and membership subscriptions for premium services.

- **Music Review Services –** Arlive.com offers Artists several ways to have their music reviewed by record company A&R professionals:

- A&R Live Hookup Service is a workshop and music review session that enables Artists to speak live with record company A&R professionals, learn the music business, pitch their Arlive.com promotional profile, and have their music heard for possible record deal consideration and receive immediate feedback. The A&R Live Hookup Service is hosted by phone teleconference through the Arlive.com website. Artists pay a registration fee on Arlive.com to attend A&R Live Hookup sessions.

- VIP Private 1-off Hookup is an exclusive one-on-one service that includes a music consultant, one attendee and a record company A&R professional. The A&R Live follow-up system automates and manages the exchange of music and follow-up between an Artist and an interested record company A&R professional. Artists pay a registration fee to participate, create a promotional profile and upload their music, photos, videos and biographical information.

- Quick Demo Review, which is licensed to Music1, LLC from Stephen Strother, enables an Artist to register, upload his or her music and receive a recorded music review by a specific record company A&R professional. Attendees can register and upload up to three songs for review by a record company A&R professional. Registration fees are charged depending on the number of songs uploaded by the Artist.

- **Social analytic data –** Arlive.com provides marketing and fan tracking data through paid premium services to Artists and members of Arlive.com to help identify the demographics of their fan bases. Arlive.com enables advertisers to reach and target their audiences more effectively by providing general demographic data of members and visitors to the Arlive.com website.

- **Talent placement fees –** Arlive.com provides talent placement services bringing together Artists and A&R professionals for possible collaboration. If a project or contractual relationship develops, then Arlive.com is typically entitled to a fee generally based on a percentage of the value of the project or contract, which is standard in the music industry.

- **Music licensing –** Arlive.com intends to enter into music licensing agreements with its most talented Artists, who have created original content. Net Element expects to begin doing this by the end of fiscal 2012. A&R Music Live intends to provide licensing services on behalf of Artists and assist in the distribution of content in exchange for royalty fees.

A&R Music Live expects to release an upgraded version of the Arlive.com website in the third quarter of 2012. With these upgrades, Net Element plans to make the proprietary music review technology, screening systems and music licensing available through mobile phones and viral promotion widgets across popular social-media websites. Net Element also plans to launch on the site during 2012 a new music social networking community, which will extend artist discovery beyond record executives to include fans.

- **MP3 E-commerce sales –** Similar to other popular online music distribution models, A&R Music Live's platform allows Artists to sell and distribute their own content through the Arlive.com website. Artists are given the opportunity to sell their content at any price determined by them. A&R Music Live receives a small fee for each sale. Additionally, Arlive.com can offer Artists a variety of distribution models, including mobile downloads to other devices and platforms.

- **Premium services membership fees –** Arlive.com offers Artists and member's two levels of membership enrollment. Free membership allows users to upload music and videos and comment on content of other members and Artists, and rate content submissions. Premium membership allows members all of the benefits of free membership plus the opportunity to retain MP3 sales profits, access to a comprehensive database of music festivals, control of privacy settings on how their content is used, the ability to participate in contests via the Arlive.com website, the option to sell mobile versions of their music content, receive social and fan tracking analytics on the usage of their content and have this data transmitted to record company partners and prospects to gauge fan preference and loyalty, access to detailed earnings reports and other analytics relating to the member's content, and assistance with direct sales of digital versions of content.

Openfilm

Openfilm is an online media company that supports a community of independent film enthusiasts and filmmakers. Openfilm owns and operates the website openfilm.com, which is based on a proprietary video platform (licensed to Openfilm by Net Element's wholly-owned subsidiary, NetLab Systems IP LLC ("NetLab")) and certain know-how and methods developed by Openfilm that unite elements of the film industry that Net Element believes are of most interest and value to Openfilm's users in a single location. Openfilm derives revenues from license fees, video advertising, video content syndication, display advertising and membership fees, as well as contest entry fees, as discussed more fully below.

Openfilm has developed an award-winning website that currently showcases over 8,400 films of various lengths and genres, aggregated from film festivals, film schools and independent filmmakers from around the world. Most films are displayed online in high definition (HD) video format and filmmakers are able to upload their films and interact with other users through a social networking platform.

Openfilm offers aspiring filmmakers an opportunity to have their work screened by a distinguished group of Hollywood insiders who make up the Openfilm Advisory Board, including actor James Caan (Chairman as well as Net Element's Board of Directors member), actor Robert Duvall, director Marc Rydell and actor and filmmaker Scott Caan. Advisory Board members collectively act as a group of mentors who interact with Openfilm's premium members through public events and online web chats on a periodic basis. The Advisory Board members also serve as judges for various competitions promoted by Openfilm.

The proprietary technologies and software platform developed for Openfilm has potential applications in other vertical online markets that Net Element believes will enable it to generate revenues through software licensing, market reporting, e-commerce transactions, festival services and/or other similar products and services. Net Element believes that Openfilm is well positioned to capitalize on the independent film market, as well as the online advertising market.

Openfilm Growth Strategy

Openfilm intends to grow its membership base organically and also acquire online properties with targeted communities to increase the membership and traffic to openfilm.com. Net Element believes that increasing traffic to openfilm.com will lead to a network effect and provide an enhanced value proposition for advertisers and festivals that will lead to increasing their purchase of services from openfilm.com. Openfilm also intends to seek out partners that can help reach a larger audience.

Revenue Streams

Openfilm generates revenue from licensing software technology, third-party advertising on openfilm.com and, to a lesser extent, membership subscriptions.

Openfilm monetizes its video content library through targeted advertising based on direct sales and distribution of films uploaded by its members. Openfilm usually charges CPM (cost per 1,000 views) rates for video and banner ad placements throughout the site.

Openfilm sells licenses to the NetLab-owned Launchpad software. Major clients that licensed the Launchpad software during 2011 included Nokia.

Openfilm also generates revenues from premium monthly subscriptions to openfilm.com ranging from $2.95 to $9.95 per month.

Openfilm Distribution Arrangements

Openfilm has secured distribution partnerships to create additional exposure and potential revenue sources for both Openfilm and its filmmaker members. These partnerships include arrangements with TiVo, Inc. – owner of the TiVo digital video recording device, MiniWeb Technologies Limited – a 9 million member TV/Internet video distribution services company based in the UK (which released an application called Woomi for Samsung “internet-ready” TVs and DVD players that also allows Openfilm content to be viewed by these devices), Boxee, Inc. – a digital device company that provides Internet and social applications through TV sets, Blinkx and Roku. Most of these distribution arrangements permit Openfilm and its filmmakers to distribute content that includes embedded advertising that can yield additional revenues to Openfilm and its filmmaker members. Openfilm also has an agreement with HCCTV (Houston Community College Television on local Comcast channel 12), a Houston-based cable channel with over 700,000 subscribers.

Motorsport.com

Motorsport.com is a news and information service that operates a website (motorsport.com) that distributes content related to the motor sports industry to racing enthusiasts all over the world. The website features a graphic-based interface and is a database-driven site with a multi-channel navigation structure, including, News, Features, Photos, Statistics, Directory, Online Competitions and Forums. In the past decade, motorsport.com has established its reputation as a reliable source of news and content by covering major international racing series and events. Motorsport.com won the American Auto Racing Writers and Broadcasters Association (AARWBA) Award for Best Professional Racing Website for eight straight years (2004 to 2011).

Motorsport.com has been in operation for over twelve years and is a mature online media company with an established brand name. According to Google Analytics, motorsport.com received approximately 21 million page views in 2011 from 2 million unique visitors.

Content

Most of the content on motorsport.com is in text format (news articles, stories, race reports, interviews, feature stories) and photo images, as well as statistical information. In 2011, motorsport.com featured approximately 17,000 news articles, approximately 112,000 photo images and approximately 1,800 videos. As of March 2012, motorsport.com had an archived content database of approximately 375,000 news articles (dating back to 1994), approximately 1,280,000 photos (dating back to 1901) and approximately 2,000 videos. The photo content is obtained from motorsport.com regular photographers, guest photographers, copyright-free for media use photo material (primarily from race teams, events, drivers, series, manufacturers, etc.) and photo agencies.

News content is obtained from Motorsport.com staff, regular contributors, special guest contributors, press releases and other press material from race teams, events, drivers, series, manufacturers and news organizations. Magazine content is obtained primarily from motorsport.com regular contributors, and, to a lesser extent, from special guest contributors. Most news content is provided in advertising supported formats. Motorsport.com also offers free email newsletters sent on a weekly basis to subscribers.

Statistical content is derived primarily from publicly available records and databases.

The motorsport.com website also hosts various forums where racing enthusiasts can participate in real-time discussions and share stories, opinions and photos with others in the forum community.

Growth Strategy

Net Element believes that, through its proprietary online platforms and technologies developed initially for Openfilm. Net Element will evolve motorsport.com into a multimedia destination for motor racing enthusiasts and advertisers on the Internet and mobile devices. During 2011, Net Element expanded motorsport.com's media offerings to include video content and brand leveraging similar to that employed by Openfilm. Net Element believes that it can increase the brand and traffic of motorsport.com and obtain additional content and partnerships with companies that are looking for additional distribution channels and cross promotion opportunities. Net Element has established relationships with YouTube and others pursuant to which it syndicates its content out for potential revenue opportunities and exposure. Net Element also believes that it can provide a compelling value proposition for advertisers on motorsport.com.

With Net Element's proprietary technologies and know-how, it is now offering user generated content on motorsport.com in the form of uploaded racing related videos and images and more interactive features. During 2012, Net Element plans to add the capabilities for users to place comments at various points within a video upload and other users to be able to preview and then jump forward to that point if they find the comments of interest. Users will be able to cross reference their content with content already found on the website, thus generating more views using relevant navigation by other users. For example, a captured photo of an event can be uploaded and tagged, which can be automatically matched and distributed to those users on the website that Net Element's proprietary system determines would be interested in the photo based on similar preferences and other criteria.

Motorsport.com is developing social media content and tools, both online, offline and at race events, which will enable users to follow their favorite profiles, users, teams, drivers, tracks and sponsors, as well as, other control and interactive features. During 2011, Net Element launched a few teams and profiles that users can follow, which Net Element plans to expand the number of during 2012.

Revenue Streams

Motorsport.com revenues are derived primarily from display advertising placement on the website. Motorsport.com currently partners with Google AdSense in America and Xprima in Canada with respect to display advertising. Motorsport.com seeks to leverage the technologies and relationships developed by Openfilm to increase the CPM return on traffic generated through the motorsport.com website and is developing additional advertising programs.

Motorsport.com plans to offer racing related classified ads as a means of offering a value-added service for Net Element's users and increasing revenue by offering to sell related services such as premium ad placement, bold headlines, additional photos, and other premium ad services.

Additional subscription-based revenue streams are being developed that will offer users multiple levels of membership, including premium content, personal fan pages, e-mail accounts, fantasy racing, product promotion and other services. Merchandise will also be showcased throughout the website based on relevancy, navigation and interest preferences determined by Net Element's proprietary systems.

Development of Business

Net Element, Inc. (formerly TOT Energy, Inc.) was organized on February 6, 2004 under the laws of the State of Delaware under the name Splinex Technology, Inc., which was a wholly-owned subsidiary of Splinex, LLC, a Florida limited liability company that is currently known as TGR Capital, LLC ("TGR Capital") (a company indirectly wholly-owned by Net Element's Chairman and Chief Executive Officer, Mike Zoi). On January 18, 2005, Net Element merged with a subsidiary of Ener1, Inc., a public reporting company. Pursuant to that merger, Net Element issued 5,000,000 shares of Net Element Common Stock to Ener1, Inc., which then distributed those shares as a dividend to its shareholders. That distribution was registered with the SEC, which resulted in Net Element becoming a public reporting company.

As an online media and technology company, since April 1, 2010, it has pursued a strategy to develop and acquire technology and applications for use in the online media industry. In furtherance of this strategy, on December 14, 2010, it acquired Openfilm, LLC, a Florida limited liability company Additionally, on February 1, 2011, it acquired two additional properties. The first, Motorsport, LLC, a Florida limited liability company which now holds 100% (initial purchase was for an 80% interest and Net Element subsequently bought out the remaining minority position) of the outstanding common stock of Motorsport.com, Inc., a Florida corporation. The second, Music1, LLC, is a Florida limited liability company which owns 97% of the membership interests in A&R Music Live, LLC, a Georgia limited liability company. As a result of these acquisitions, Net Element now operates several online media websites in the film, motorsport and emerging music talent markets.

Net Element believes that the technology platforms and development expertise acquired from Openfilm enables it to enhance the digital distribution of content in a variety of industries. Accordingly, Net Element continues to explore additional acquisitions of, as well as developing internally, other Internet based properties, services and companies with similar goals of connecting people in various vertical markets, such as the medical, music, film, sports and legal markets. Net Element is in the process of developing and preparing to launch by the end of 2012 legalguru.com as a destination for free legal advice with the ability to find local specialists to help with various legal issues. Net Element also developed and launched in the fourth quarter of 2011 a beta test version of the mobile application called Yapik, which is a peer-to-peer communication and bartering application and service for mobile devices which is currently in beta testing in select collegiate/university markets.

On April 24, 2012, Net Element entered into an amended and restated joint venture agreement, dated as of December 31, 2011, with Curtis Wolfe regarding its subsidiary LegalGuru LLC. The amended agreement amends and restates the joint venture agreement entered into between Net Element and Mr. Wolfe effective as of March 29, 2011. Net Element owns a 70% interest in LegalGuru LLC and Mr. Wolfe, who is a director and Secretary of the Company and Chief Executive Officer and Chairman of LegalGuru LLC, through Lobos Advisors, LLC (a company of which Mr. Wolfe is the President and managing member), owns a 30% interest in LegalGuru LLC. The amended agreement requires Net Element and Mr. Wolfe to invest up to an aggregate of $900,000 in LegalGuru LLC, with Mr. Wolfe investing up to an aggregate of $100,000 and Net Element investing up to an aggregate of $800,000. The original agreement required Net Element and Mr. Wolfe to invest up to an aggregate of $1,000,000 in LegalGuru LLC, with Mr. Wolfe investing up to an aggregate of $200,000 and Net Element investing up to an aggregate of $800,000. In connection with the $100,000 reduction in the amount required to be invested in LegalGuru LLC by Mr. Wolfe, Mr. Wolfe agreed to maintain his current salary of $10,000 per month, with $8,000 of such amount paid in cash and $2,000 paid with Net Element stock options, until LegalGuru LLC generates at least $500,000 in revenue. As of March 31, 2012, Mr. Wolfe had invested $71,279 in LegalGuru LLC and Net Element had invested $830,983 in LegalGuru LLC. Net Element agreed that Mr. Wolfe would be entitled to serve on its board of directors for so long as Net Element holds a majority interest in LegalGuru LLC. Mr. Wolfe has the right, for 36 months from March 29, 2011, to convert his interest in LegalGuru LLC into 3 million shares of Net Element Common Stock.

On April 6, 2012, Net Element entered into a Joint Venture Agreement with Igor Yakovlevich Krutoy pursuant to which the parties agreed to form Music1 Russia, which would be owned 67% by Net Element's subsidiary Net Element Russia and 33% by a newly formed company controlled by Mr. Krutoy which is to be named K1 Holdings. Music1 Russia will promote the Company's www.music1.com platform in the Commonwealth of Independent States (CIS) countries (comprised of participating states of the former Soviet Union). K1 Holdings will contribute a nominal amount of capital to the joint venture. Net Element agreed to contribute to the joint venture (i) exclusive, non-assignable, royalty-free, perpetual, world-wide rights to use and operate the Internet domain www.music1.com, (ii) non-exclusive, non-assignable, limited, royalty-free, perpetual, world-wide rights to use Net Element's Launchpad computer system technology for the operation of Internet based contests, (iii) non-exclusive, non-assignable, limited, royalty-free, perpetual, world-wide rights to integrate Net Element's Music Brain technology into the website and (iv) not less than $2 million in the form of an interest-free loan to maintain the operations of Music1 Russia. Mr. Krutoy also agreed to (i) provide business development introductions identified by Music1 Russia as having significant business potential and (ii) act as an advisor and Chairman of the Board of Directors of Music1 Russia for a period of two years. As consideration for such advisory services and as Chairman of the Board of Directors of Music1 Russia, the Net Element agreed to issue Mr. Krutoy 5 million shares of restricted stock, with half of such shares issued within one month after he becomes Chairman of Music1 Russia and the other half of such shares issued within one month after the start of the second calendar year of his term as Chairman of Music1 Russia.

On March 17, 2011, Net Element formed a wholly-owned subsidiary, Splinex LLC, a Florida limited liability company. Splinex, LLC is intended to develop technology and web services for use in Net Element's products and services and certain other licensed applications focused in the areas of three dimensional (3D) imagery and video. As of April 12, 2011, an aggregate 15% ownership interest in Splinex, LLC was issued to certain of its employees and consultants.

On March 8, 2011, Net Element formed a wholly-owned subsidiary, Yapik LLC, a Florida limited liability company. Yapik LLC is developing and deploying a peer-to-peer communication and bartering application and service for mobile devices operating within and around colleges and universities. Additional goals of Yapik LLC include developing a virtual currency to broaden usage and provide new digital experiences with 3rd party goods and services. Net Element has launched a beta test version of the Yapik mobile application on Android and iOS platforms at Florida International University, University of Florida and University of Miami with plans to launch at up to 10 additional universities if the beta launches prove successful. On June 16, 2011, Net Element entered into a Subscription Agreement pursuant to which it sold a 15% ownership interest in Yapik LLC, to a related party that is employed by Yapik, in exchange for a $100,000 investment in Yapik LLC, which was received on June 20, 2011. The investor has an option, which is exercisable for 36 months, to convert the 15% ownership interest in Yapik LLC into 1,500,000 shares of Net Element Common Stock.

On February 1, 2011, Net Element purchased all of the equity interests in Motorsport, LLC from Enerfund, LLC, a Florida limited liability company ("Enerfund") that is wholly-owned by Net Element's Chairman and Chief Executive Officer, Mike Zoi. As consideration for that acquisition, Net Element paid to Enerfund $130,000 and agreed to take over responsibility for the obligations of Motorsport, LLC under a Stock Purchase Agreement dated December 17, 2010 pursuant to which Motorsport, LLC would acquire all of the equity interests in Motorsport.com, Inc. At the time of Net Element's acquisition of Motorsport, LLC, pursuant to the December 17, 2010 Stock Purchase Agreement, Motorsport, LLC had already acquired 80% of the outstanding common stock of Motorsport.com, Inc., although Motorsport, LLC remained obligated under the Stock Purchase Agreement to pay an aggregate of $450,000 to the sellers in four quarterly installments beginning on December 1, 2013. Pursuant to an amendment to the Stock Purchase Agreement dated January 10, 2012, that payment obligation was amended to provide that: (i) Motorsport, LLC must pay to the sellers $300,000 in cash in four equal annual installments of $75,000 each beginning on January 10, 2012, with each subsequent installment payable on each annual anniversary thereafter until such $300,000 is paid in full; and (ii) Net Element must issue to the sellers an aggregate of 1,333,333 shares of Net Element Common Stock. The initial $75,000 installment was paid by Net Element and Net Element issued such 1,333,333 shares of Net Element Common Stock to the sellers. The sellers have a security interest in the Internet domain names of Motorsport.com, Inc. as collateral for Net Element's and Motorsport's remaining payment obligations.

The December 17, 2010 Stock Purchase Agreement provided Motorsport, LLC an option until December 16, 2018 to purchase the remaining 20% of the outstanding common stock of Motorsport.com, Inc. for a price per share of between $0.1075 and $0.1435 (or an aggregate of between $400,330 and $534,394) depending upon when the option was exercised, payable in either cash or shares of preferred stock of Motorsport.com, Inc. having an equivalent value. If the option were exercised before December 17, 2015, then the purchase price for the remaining 20% interests would have been $0.1075 per share, or an aggregate of $400,330. Pursuant to the January 10, 2012 amendment to the Stock Purchase Agreement, Motorsport, LLC exercised its option to acquire the remaining 20% interests for a purchase price consisting solely of the Net Element's issuance to the sellers of an aggregate of 3,333,333 shares of Net Element Common Stock.

Also on February 1, 2011, Net Element purchased all of the equity interests in Music1, LLC from Enerfund for an aggregate purchase price of $15,000. Music1, LLC owns 97% of the membership interests in A&R Music Live, LLC. Music1, LLC purchased its interest in A&R Music Live, LLC from Stephen Strother, the Founder and President of Music1, on November 8, 2010. The remaining 3% of the membership interests in A&R Music Live, LLC is owned by Stephen Strother. Net Element was required to invest at least $500,000 in Music1 by December 31, 2012, which requirement was met during the fourth quarter of 2011. Additionally, Mr. Strother has granted a royalty free license to Music1, LLC to use certain technology owned by him for the term of his employment agreement. For more information, see “License Agreement with Stephen Strother” below.

On July 17, 2008, Net Element established a 51%-owned joint venture known as Korlea-TOT Energy s.r.o. (“Korlea-TOT”) with Korlea Invest Holding AG of Switzerland (“Korlea”), which is a provider and trader of energy assets in the Czech Republic. Korlea-TOT was expected to assist in the marketing of oil assets sourced by Net Element and its contacts and affiliates. Korlea-TOT has had no business activity to date. Net Element deconsolidated Korlea-TOT as of January 1, 2011 and Net Element has adjusted the investment to its net realizable value. Net Element intends to sell its ownership interest in Korlea-TOT to Korlea in exchange for a cash payment equal to 51% of the cash balance in the joint venture on the date of sale. Consummation of this transaction is subject to obtaining certain approvals and making certain filings overseas. Net Element expects that this transaction will be completed during 2012.

Proprietary Technologies

Net Element generally relies on a combination of trade secret, copyright, trademark and patent law to protect its proprietary rights in its intellectual properties. Although Openfilm and other customers use NetLab’s proprietary technologies and other products in object code form, no assurance can be given that unauthorized third parties will not be able to copy such software. In addition, there can be no assurance that Net Element’s competitors will not independently utilize existing technologies to develop products that are substantially equivalent or superior to Net Element’s. Net Element could incur substantial costs in defending its rights to its intellectual properties in litigation brought by third parties, or in seeking a determination of the scope and validity of the proprietary intellectual property rights of others.

In connection with Net Element’s acquisition of Openfilm, it transferred certain intellectual property assets of Openfilm to Net Element’s wholly-owned subsidiary, Netlab Systems, LLC, a Florida limited liability company (and subsequently assigned those assets to NetLab Systems IP LLC, a Florida limited liability company), in order to better protect and manage its proprietary technologies and further exploit them for other vertical markets. Each of the proprietary technologies used by Openfilm is subject to a Technology Transfer and License Agreement with NetLab. For more information, see “Licensing Arrangement between Openfilm and NetLab” below.

The Openfilm contest management system, called Launchpad (licensed from NetLab), uses various methods and algorithms to conduct and manage online contests of any form. The system enables Openfilm to offer third party branded online contests, with robust backend functionality that allows control of the contest with minimal technical training. Launchpad controls offer contest hosts the ability to receive, filter and judge submissions in a quick and easy manner. Submissions can be in the form of video files, audio and other common digital formats. The system is designed to provide scalability in functionality and application processing. Launchpad can be modified for other contest applications. Launchpad includes a comparison module, which allows individuals to upload their content and match the content to current and upcoming contests in the database, thus ensuring compatibility with format and other contest criteria.

Although Net Element believes that film festivals are a natural fit for employing the Launchpad platform, as it can help them reduce administrative expenses and streamline the submission and judging process, it can also be an effective tool in the corporate and education sectors and other areas that may need a resource or talent management system.

Subconscious user behavior tracking is another proprietary system being developed by NetLab, which monitors viewers as they interact with Internet websites. Content on sites and services are coded using mathematical algorithms to arrange content based on its collective and/or average evaluations. The resulting data gathered through user experiences can be used in a variety of ways. This preference monitoring system can assist Openfilm’s advertising clients in directed marketing campaigns and can provide Openfilm with effective and reliable audience participation in its offerings. NetLab engineers are developing similar applications and technical trials for use in Motorsport’s and Music1’s prototypes.

Openfilm currently offers, to a limited extent, video with programmable story lines that allow content creators to offer interactive experiences for their viewers, such as selection of alternative movie endings. The future Openfilm interactive system (licensed from NetLab) will allow digital product placement of any branded item into any frame of content. Net Element believes that dynamic tracking of the insertion and user interaction may help advertisers better determine what frames within videos to place their brand for maximum exposure and return on investment.

Music Brain (developed and licensed by NetLab) is a tool for predicting musical user preferences based on visual user preferences. The voting for songs and images, and other metrics are used to identify user preferences and apply them in other intuitive situations. Music Brain suggests playlists and songs for a particular user based on prior preference metrics and behaviors. Music Brain utilizes advanced mathematical algorithms and implements psychological models for accurate prediction of song preferences and general music interests.

During 2011, NetLab developed additional technology that allows Artists' music to be automatically distributed to listeners through Music Brain based on behaviors, navigation, preferences and interaction with content on the website. This product is currently in a beta test phase.

Other Technology Advancements

Openfilm utilizes a submission processing system (licensed from NetLab), which converts videos into a high definition (HD) format and allows publication in multiple resolutions. Additionally, Openfilm products and services provide a wide array of tools that allow content owners to enhance and control various aspects of the distribution and viewing process and to generate analytical reports.

Development Team

Net Element's technology development team consists of more than 40 staff engineers. The majority of the team has been working together for the past four years to enhance the Openfilm website and develop new proprietary features that will bring additional functionality to users and revenue sources to Openfilm, as well as Motorsport, Music1, Yapik and LegalGuru. Net Element's technology development is conducted primarily in facilities located in Dnepropetrovsk, Ukraine and Yekaterinburg, Russia through Net Element's wholly-owned subsidiary Netlab Systems, LLC. Net Element believes that overall research and development costs are significantly less than what the costs would be for comparable facilities and staff in the United States.

Licensing Arrangement between Openfilm and NetLab

In connection with Net Element's acquisition of Openfilm and the transfer of certain technologies to Netlab Systems, LLC, Openfilm and Netlab Systems, LLC entered into a Technology Transfer and License Agreement dated December 14, 2010 (which was subsequently assigned to NetLab Systems IP LLC) whereby Openfilm has been granted a perpetual, non-exclusive license to use, modify and enhance certain of the NetLab technologies used in conjunction with the Openfilm website. Openfilm is required to pay to NetLab a license fee equal to five percent of the gross revenue generated by Openfilm's use of the licensed NetLab technologies. The initial term of this arrangement is 10 years with automatic one year renewals unless sooner terminated in the event of breach or upon 30 days prior written notice after the initial term.

License Agreement with Stephen Strother

In connection with Net Element's acquisition of Music1 (and its subsidiary A&R Music Live, and the domains Arlive.com and Music1.com), Stephen Strother entered into a License Agreement dated February 1, 2011 with Music1 granting Music1 a world-wide royalty-free license and rights to use certain technology and other intellectual property owned by Mr. Strother, including the Quick Demo Review technology, which enhances the functionality of the Arlive.com online services, and Around the Block, which is an online music video series utilizing technology developed by Mr. Strother. This License Agreement provides that it will remain in effect so long as Mr. Strother's employment agreement with Music1, LLC continues (including any renewals thereof). Mr. Strother's employment agreement commenced November 1, 2010 for an initial term of two years and automatic one-year renewals thereafter unless notice of termination is given at least 30 days prior to the end of a term. Mr. Strother may be terminated prior to the end of a term for "cause" as defined in the employment agreement.

Product Development

Net Element believes that its future success depends in part upon the timely enhancement of existing products and the development of new applications, products and services. Net Element is currently developing new software products and live services relating to information management with broad applications in commercial markets and enhancing existing products to improve price and performance, expand product capabilities, simplify user interfaces, help define and support emerging industry standards, and develop interoperability with most products and devices commonly used in Net Element's targeted markets.

For the twelve months ended December 31, 2011 and the nine months ended December 31, 2010, the research and development (which Net Element refers to as product development) expenses of Net Element was approximately $113,159 and $0, respectively.

Regulation

Net Element is subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet, many of which are still evolving and the interpretation of which are often uncertain. The LegalGuru service is designed so as to not subject Net Element to the various federal and state laws that regulate attorney referrals, attorney advertising, consumer data retention and privileged communications. However, since Openfilm, LegalGuru, Motorsport, Music1 and Yapik collect, or intend to collect, certain information from members and users on their respective websites, such entities will be subject to current and future government regulations regarding the collection, use and safeguarding of consumer information over the Internet. These regulations and laws may involve taxation, tariffs, user privacy, rights of publicity, data protection, content, intellectual property, distribution, electronic contracts and other communications, consumer protection and online payment services. It is not clear how existing laws governing many issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet and e-commerce.

There are a number of legislative proposals that are anticipated or pending before the U.S. Congress, various state legislative bodies, and foreign governments concerning data protection which could affect Net Element. Many states, for example, have already passed laws requiring notification to subscribers when there is a security breach of personal data. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with Net Element's data practices. If so, in addition to the possibility of fines, this could result in an order requiring that Net Element change its data practices, which could have an adverse effect on its business.

Legislation could be passed that limits Net Element’s ability to use or store information about Net Element’s users. The Federal Trade Commission (the “FTC”) and various states have established regulatory guidelines issued under the Federal Trade Commission Act and various state acts, respectively, that govern the collection, use and storage of consumer information, establishing principles relating to notice, consent, access and data integrity and security. Net Element’s practices are designed to comply with these guidelines. For example, Net Element discloses that Net Element collects a range of information about its users, such as their names, email addresses, search histories and activity on Net Element’s platform. Net Element also uses and stores such information primarily to personalize the experience on its platforms, provide customer support and display relevant advertising. While Net Element does not sell or share personally identifiable information with third parties for direct marketing purposes, Net Element does have relationships with third parties that may allow them access to user information for other purposes.

Net Element believes its policies and practices comply with the FTC privacy guidelines and other applicable laws and regulations. However, if Net Element’s belief proves incorrect, or if these guidelines, laws or regulations or their interpretations change or new legislation or regulations are enacted, Net Element may be compelled to provide additional disclosures to its users, obtain additional consents from its users before collecting or using their information or implement new safeguards to help its users manage Net Element’s (or others’) use of their information, among other changes.

Competition

LegalGuru

LegalGuru is expected to compete with the many already available attorney directories, attorney and law firm blogs and other attorney information available on the Internet, as well as attorney referral services and attorney and law firm advertising generally. Net Element expects that LegalGuru will compete primarily on the basis of the services offered, functionality and ease of use of website features.

Yapik and Komissionka

Yapik currently competes with other bartering services such as Craigslist.org, as well as the Classifieds section of Facebook. In the CIS market, Komissionka's primary competitors are expected to be Slando.ru and Avito.ru. Net Element expects that Yapik and Komissionka will compete primarily on the basis of the services offered, functionality and ease of use of features.

A&R Music Live (and Music1 Russia)

The A&R Music Live website (Arlive.com) competes for users with a variety of web-based companies in its market, some of which are larger and more established, including Purevolume (USA), an artist discovery and promotion website, Reverbnation, an Artist discovery and social networking site, iTunes' Ping, an Artist discovery, social networking and e-commerce site, MySpace (USA), also the home of MySpace Music, which offers a growing catalogue of streaming audio and video content, and other music content sharing websites and social entertainment marketing websites.

A&R Music Live competes by educating its members through innovative webinars and career-building resources for the new digital music industry and connecting them with music executives for a professional assessment and entertainment employment opportunities for their talents. Net Element believes that A&R Music Live's competitive edge is with its talent discovery processes, which have been developed over 20 years through A&R Music Live's understanding of aspiring artists' profiles; its established relationships with record executives, providing artists with a vehicle to shop their talents; its proprietary music review (critique) technology and screening systems; and its customer service processes developed for the unique needs of aspiring talent.

Openfilm

Many of the companies with whom Openfilm competes or expects to compete have substantially greater financial resources, research and development capabilities, sales and marketing staffs and distribution channels and are better known than Openfilm. Net Element believes that the principal factors affecting Openfilm's ability to compete are the accessibility, functionality and ease of use of the Openfilm website, and the compelling nature of the value proposition to advertisers and brands, as well as, the performance and features of the Openfilm platform and other applications and solutions offered by Openfilm, the effectiveness of marketing efforts, the success of its video contests and film production and distribution abilities and pricing of membership and other offers. Openfilm believes that it can successfully differentiate itself from its competitors due to the proprietary technologies licensed from NetLab, its focus on independent filmmakers and their content, and the celebrities who make up the Openfilm Advisory Board.

Net Element believes that the proprietary technologies (licensed from NetLab), which are utilized by Openfilm are not commonly found in the online video-sharing world and thus provide a distinct competitive advantage for Openfilm primarily because of the ability of Openfilm to deploy customized solutions for its members, advertisers and others.

Motorsport

Motorsport.com competes with other websites aimed at motorsport fans, providing news, event photos and merchandise. According to Alexa.com, as of March 7, 2012, motorsport.com was ranked 62,017 for most trafficked websites world-wide, 24th in relation to all racing related websites (out of 4,542) and 4th in relation to all racing news and media websites (out of 150). The rank is calculated using a combination of average daily visitors and page views over the past month (February) among Internet users that have the Alexa.com toolbar installed.

Motorsport.com competes with other, well-established companies, such as Autosport.com, based in the UK and part of Haymarket Publishing, which has the advantage of viewer support from traditional weekly print magazines, including Autosport magazine and F1 Racing magazine, and Crash.net, which is an online media publishing house and multimedia agency (Crash Media) that also has the support of publications like Autocourse, Rallycourse and Motocourse. Additionally, Motorsport.com competes with websites that are sponsored by cable TV channels, such as Speedtv.com, a U.S.-based motorsport portal that has the advantage of support from its related cable TV channel in the U.S. and Canada. Other competitors of Motorsport.com include racing series sites (Formula1.com, NASCAR.com, etc.), sports websites that also cover motor racing (espnf1.com, BBC Sport, sports.yahoo.com, itv.com F1 Sport, etc.), and vertical motor racing sites that focus on only one form of racing (jayski.com, Planet F1, etc.). Motorsport.com also competes with hundreds of smaller websites and independent blogs.

Motorsport.com competes primarily on the basis of the content and services offered, the relevance of news and photos, reliability, brand loyalty, functionality and ease of use of website features, and in the future, the perceived value and cost of premium membership and other fee-based services.

Employees

Net Element’s total headcount at March 15, 2012 was 70 people. Of such 70 people, 10 were consulting and 60 were full-time employees.

Properties

Net Element leases approximately 6,500 square feet of office space in Miami, Florida at annual rent of $187,785. The current lease term expires December 31, 2012. Net Element’s corporate headquarters and the operations of Openfilm, Music1, Motorsport, NetLab, Yapik and LegalGuru are conducted at this location. Net Element believes that this facility is adequate for its anticipated needs.

Netlabs Systems, LLC, through its Ukrainian representative office, leases approximately 3,500 square feet of office space in Dnepropetrovsk, Ukraine where it conducts primarily website development activities, at annual rent of approximately $42,000. The current lease term expires December 1, 2014. Net Element believes that this facility is adequate for its anticipated needs.

Netlabs Systems, LLC, through its Russian representative office, leases approximately 1,150 square feet of office space in Yekaterinburg, Russia, where it conducts website development activities, at annual rent of approximately

$34,000. The current lease term expires April 30, 2013. Net Element believes that this facility is adequate for its anticipated needs.

Splinex, LLC (Russia) has a contract with Ural Federal University pursuant to which Net Element pays $80,000 per year in exchange for workspace and collaborative efforts on certain research activities. Of such amount, the estimated cost of the workspace is 23%, or $18,400, per year. This contract expires September 23, 2012.

Legal Proceedings

Neither Net Element nor any of its subsidiaries is currently a party to any pending legal proceeding, nor is any of their respective property the subject of a currently pending legal proceeding. None of Net Element's directors, officers or affiliates or any of their respective associates is involved in a proceeding adverse to Net Element or any of its subsidiaries or has a material interest adverse to Net Element or any of its subsidiaries.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Net Element's financial statements, together with the notes to those statements, included elsewhere in this joint proxy statement/prospectus. Net Element's actual results may differ materially from those discussed in forward-looking statements because of the risks and uncertainties inherent in future events.

Overview

Net Element is currently pursuing a strategy to develop and/or acquire technology and applications for use in the online media industry. In furtherance of this strategy, Net Element acquired Openfilm, LLC on December 14, 2010 and Motorsport, LLC and Music1, LLC on February 1, 2011. Music1, LLC has a 97%-owned subsidiary, A&R Music Live, LLC. Net Element developed and launched in the fourth quarter of 2011 a beta test version of the Yapik mobile application on Android and iOS platforms and Net Element is developing and preparing to launch the website legalguru.com in the second quarter of 2012.

Net Element believes that its technology platforms and development expertise will enable them to enhance the digital distribution of content in a variety of industries. Accordingly, Net Element is exploring the possibility of acquiring other Internet portal properties and companies with similar goals of connecting people in various vertical markets, such as the medical, educational and sports markets. From time to time, Net Element may be engaged in various discussions to acquire businesses or formulate joint venture or other arrangements. Net Element's policy is not to disclose discussions or potential transactions until definitive agreements have been executed. Where appropriate, acquisitions will be financed with Net Element's equity securities, which may result in substantial dilution to existing stockholders.

On November 11, 2010, Net Element changed its fiscal year end from March 31 to December 31. Accordingly, Net Element's first full 12-month fiscal year ran from January 1, 2011 through December 31, 2011. The nine-month period from April 1, 2010 through December 31, 2010 is presented as comparative information in Net Element's accompanying audited financial statements for the periods ended December 31, 2011 and 2010. Accordingly, in the below discussion under "Results of Operations for the Twelve Months Ended December 31, 2011 Compared to the Nine Months Ended December 31, 2010," 2011 reflects twelve months of operations as an online media company and "fiscal 2010" reflects the nine-month transition period from April 1 through December 31, 2010 when Net Element had no significant operations until it acquired Openfilm, LLC on December 14, 2010.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

In applying estimates, management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on Net Element's historical experience, terms of existing contracts, its observance of trends in the industry, information provided by outside sources, trade journals and other sources, as appropriate.

Deferred Taxes. Estimates of deferred income taxes and items giving rise to deferred tax assets and liabilities reflect management's assessment of actual future taxes to be paid on items reflected in the financial statements, giving consideration to both timing and the probability of the realization. Actual income taxes could vary from these estimates for a variety of reasons including changes in tax law, operating results that vary from budget or the review of Net Element's tax returns by the IRS.

Valuation of Stock Based Compensation. Stock based compensation has been provided by Net Element in order to preserve the cash flow necessary to grow its business. Net Element believes the estimate of stock based compensation is a "critical accounting estimate" that significantly affects its results of operations. Management of Net Element has discussed the development and selection of this critical accounting estimate with its board of directors and the board of directors has reviewed Net Element's disclosure relating to it in this joint proxy statement/prospectus.

Capitalized Website Costs. Net Element capitalizes certain software development costs. Generally, costs for developing website application and infrastructure, creating the initial graphics of the website, and adding upgrades and enhancements are capitalized whereas costs for planning, adding content, and operating the website are expensed as incurred. Net capitalized website costs are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the expected useful life of the website. Net Element evaluates the recoverability of intangible assets periodically and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate impairment exists.

Revenue. Net Element recognizes revenue when the persuasive evidence of an arrangement exists, no significant company obligations remain, collection of the related receivable is reasonably assured, and the fees are fixed or determinable. Net Element recognizes revenue on a gross basis and publisher expenses that are directly related to a revenue-generating event are recorded as a component of cost of revenue. Additionally, fee revenue from transactions on Net Element's affiliate marketing networks are recognized on a net basis where Net Element acts as an agent in these transactions and the payments to publishers are the contractual obligation of the advertiser customers.

Results of Operations for the Three-Month Periods Ended March 31, 2012 and 2011

Net Element reported a net loss of $2,383,995, or $(0.00) per share, for the three months ended March 31, 2012, as compared with a net loss of $20,314,897, or $(0.03) per share, for the three months ended March 31, 2011. Basic and diluted weighted average shares outstanding were 752,792,562 and 668,410,995 for the quarters ended March 31, 2012 and 2011, respectively.

Net revenues consist of license fees, advertising fees, membership fees and other service fees. Net revenues for the three months ended March 31, 2011 were $74,810, which related primarily to fees generated by Music ($34,031), Motorsport ($31,960) and Openfilm ($8,238), as compared with $78,146 in revenue for the three months ended March 31, 2011, which related primarily to fees generated by Openfilm ($50,689), Music ($17,633) and Motorsport ($6,758). Music revenues are primarily services fees while Motorsport revenues are primarily advertising. Openfilm revenues are a mix of license fees, advertising and subscription fees.

Operating expenses totaled $2,046,994 for the three months ended March 31, 2012, as compared to total operating expenses of $20,364,254 for the three months ended March 31, 2011. Most of total operating expenses in each of such periods consisted of general and administrative expenses. For the three months ended March 31, 2012, general and administrative expenses were $1,641,516, or 80.2% of total operating expenses during that period. For the three months ended March 31, 2011, general and administrative expenses were $20,198,892, or 99.2% of total operating expenses during that period. The components of Net Element's general and administrative expenses are discussed below.

Cost of revenues represents direct costs of generating revenues, including commissions, content acquired and created and certain payroll expense that is directly related to revenue creation. Cost of revenues for the three months ended March 31, 2012 was $100,585 as compared to $86,823 for the three months ended March 31, 2011, which represents an increase of $13,762, or 15.9%. Motorsport cost of revenues of $60,106 for the three months ended March 31, 2012, increased $8,907 over $51,199 for the three months ended March 31, 2011. This increase was due to increased hosting & streaming costs, higher costs for content acquisition and commissions as well as higher costs for web development efforts during the quarter ended March 31, 2012 as compared to the quarter ended March 31, 2011.

Business development expenses consist of direct costs associated with developing Net Element's brand and developing revenue opportunities. Business development expenses increased by $153,235, or 475%, to $185,519 for the three months ended March 31, 2012 as compared with $32,284 for the three months ended March 31, 2011. For the quarter ended March 31, 2012, business development expenses were primarily attributable to corporate activities ($175,748), and LegalGuru ($8,979). Business development expenses for the three months ended March 31, 2011 were primarily attributable to Motorsport ($24,158) and other corporate activities ($6,790). Business development expenses attributable to corporate activities related primarily to business development of new website and services opportunities. LegalGuru business development expenses related primarily to marketing efforts. Motorsport business development expenses related primarily to branding through the use of paid marketing professionals at race events and the purchase of promotional items. The primary reasons for the increase in business development expense for the three months ended March 31, 2012 was $132,953 of expense related to promotion at Ferrari North American Challenge and $37,385 increase in travel relating to business development, partially offset by decreases in Motorsport of $15,179 as Net Element did not have paid marketing professionals or promotional items at race events during 2012.

General and administrative expenses were $1,641,516 for the three months ended March 31, 2012 as compared to $20,198,892 for the three months ended March 31, 2011, representing a decrease of $18,557,376. General and administrative expenses for the three months ended March 31, 2012 and 2011 consisted of operating expenses not otherwise delineated in Net Element's Unaudited Condensed Consolidated Statements of Operations, including certain salaries, benefits, professional fees, travel, rent, Internet expenses and other expenses required to run Net Element's business. General and administrative expenses for the three months ended March 31, 2012 and 2011 were attributable to the properties or subsidiaries of Net Element as follows:

Property or Entity	Three months ended March 31, 2012	Three months ended March 31, 2011
Net Element Corporate	$ 995,207	$ 19,783,591
Openfilm / Launchpad	35,703	119,253
Music1 / A&R Live (purchased 2/1/11)	107,561	52,002
Motorsport (purchased 2/1/11)	120,373	41,531
Social Networking (Yapik) (formed in 2011)	39,210	7,625
LegalGuru (formed in March, 2011)	54,804	9,885
Netlab Systems / Splinex	288,658	185,005
Total general and administrative	$ 1,641,516	$ 20,198,892

General and administrative expenses for Net Element Corporate were $995,207 for the three months ended March 31, 2012 as compared to $19,783,591 for the three months ended March 31, 2011. For the three months ended March 31, 2012, general and administrative expenses for Corporate consisted primarily of $521,497 in non-cash compensation expense relating to the issuance of stock, options and warrants, $220,933 of payroll expenses, $191,870 of professional fees and $46,816 of recruiting expense.

Of the $19,783,591 in general and administrative expenses for corporate for the three months ended March 31, 2011, $18,945,384 is attributable to non-cash compensation expense relating primarily to charges for stock and options provided under a subscription agreement with Enerfund during the period. Of the $838,207 remaining in general and administrative expenses for the three months ended March 31, 2011, $455,184 consisted of payroll expense, $99,928 was for recruiting expenses, $69,464 in professional fees, $50,000 for accrual of disputed tax penalties, $41,879 in travel, $41,313 in rent and $80,439 of other general and administrative expenses.

Motorsport and Music were both purchased on February 1, 2011 so the three months ended March 31, 2011 only includes two months of operating expenses for each of those subsidiaries. Additionally, subsequent to acquisition, Net Element increased its development efforts for both consolidated entities, which contributed to higher general and administrative expenses in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. LegalGuru and Yapik both started accumulating expenses in March of 2011 as start-up businesses, which explains the variance between general and administrative expenses for the three months ended March 31, 2012 versus the three months ended March 31, 2011.

Product development expense was $50,711 for the three months ended March 31, 2012 as compared to $5,000 for the three months ended March 31, 2011 when Net Element had more limited product development efforts. Product development expense consists of research and development on new ideas for existing and to be formed websites and services as well as work that may result in Net Element seeking patents for particular technology or business processes.

Depreciation and amortization expense consists of depreciation expense on fixed assets used by Net Element and the amortization of capitalized website development, intellectual property and deferred compensation expenses. Depreciation and amortization expense was $68,663 for the three months ended March 31, 2012 as compared with $41,255 for the three months ended March 31, 2011. Additionally, capitalized costs related to website development and intangible assets were $735,043, net at March 31, 2012 as compared with $608,823 at March 31, 2011. Capitalized website development and intangible assets of $735,043 at March 31, 2012 includes $542,314 of capitalized web development, $28,393 for the direct costs of acquiring patents and $164,336 related to website content, customer lists and domain names (Motorsport, LLC ($143,125) and Music1, LLC ($21,211)).

Interest expense was $72,674 for the three months ended March 31, 2012 as compared with $24,915 for the three months ended March 31, 2011. Interest expense for the three months ended March 31, 2012 includes interest on convertible loans from Enerfund to Net Element ($49,025 in interest expense at 5% per annum) with principal balances totaling $3,600,000 and a loan from Enerfund to Openfilm with a principal balance of $1,667,762 ($20,790 in interest expense at 5% per annum). The interest expense in 2011 was primarily attributable to the loan from Enerfund to Openfilm, LLC ($20,559 in interest expense) with a principal balance of $1,667,762 and an interest rate of 5% per annum.

Other expenses totaled $411,225 for the three months ended March 31, 2012 compared to other expenses of $45,942 for the three months ended March 31, 2011. Other expenses for the three months ended March 31, 2012 related primarily to the amendment of amounts payable to old Motorsport.com owners and other expense for the three months ended March 31, 2011 related primarily to adjusting Net Element's carrying value of Korlea-TOT to fair value on January 1, 2011.

The net loss attributable to non-controlling interests relating to Yapik, LLC, LegalGuru, LLC, A&R Music Live, LLC, and Splinex, LLC was $72,088 for the three months ended March 31, 2012 as compared with $42,068 for the three months ended March 31, 2011. Non-controlling interest for the three months ended March 31, 2012 were primarily attributable to LegalGuru ($37,687) and Yapik ($28,479). The non-controlling interest reflects the results of operations of subsidiaries that are allocable to equity owners other than Net Element.

Results of Operations for the Twelve Months Ended December 31, 2011 Compared to the Nine Months Ended December 31, 2010

Net Element reported a net loss of $24,853,100, or $(0.03) per share, for the twelve months ended December 31, 2011 as compared with a net loss of $3,101,146, or $(0.01) per share, for the nine months ended December 31, 2010.

Net revenues consist of license fees, advertising fees, membership fees and other service fees. Net revenues were $183,179 for the twelve months ended December 31, 2011 as compared to $242 for the nine months ended December 31, 2010. Revenues for the twelve months ended December 31, 2011 were primarily from Music ($76,393), Openfilm ($73,426) and Motorsport ($28,152). Net revenues generated during the nine months ended December 31, 2010 reflect net revenues received from Openfilm from the acquisition date of December 14, 2010 through December 31, 2010. Music revenues consist primarily of premium service fees earned by providing feedback on music submitted by users for review by music executives. Openfilm's net revenues during that period were primarily licensing fees from Launchpad and advertising revenues. Motorsport revenues were primarily advertising revenues.

Source of Revenue	2011	2010
License Fees	$51,599	$0
Advertising	41,025	242
Subscription and Pay per View	91,083	0
Less: Revenue sharing	(528)	0
	$183,179	$242

Operating expenses totaled $25,238,951 for the twelve months ended December 31, 2011, as compared to total operating expenses of $3,104,423 for the nine months ended December 31, 2010. Most of total operating expenses in each of such periods consisted of general administrative expenses. For the twelve months ended December 31, 2011, general and administrative expenses were $23,831,750, or 94.4% of total operating expenses during that period. For the nine months ended December 31, 2010, general and administrative expenses were $3,066,261, or 98.8% of total operating expenses during that period. The components of Net Element's general and administrative expenses are discussed below.

Cost of revenues represents direct costs of generating revenues, including commissions, content acquired and created and certain payroll expense that is directly related to revenue creation. Cost of revenues for the twelve months ended December 31, 2011 was $596,389 as compared to $38,162 for the nine months ended December 31, 2010 as a result of there being limited operations during the nine months ended December 31, 2010.

Business development expenses consist of direct costs associated with developing Net Element's brand and developing revenue opportunities. Business development expenses were $385,714 for the twelve months ended December 31, 2011 as compared with $0 for the nine months ended December 31, 2010 as Net Element had limited operations during the 2010 period. For the twelve months ended December 31, 2011, business development expenses were primarily attributable to corporate activities ($317,197), Yapik ($12,380) and Motorsport ($41,916). Business development expenses attributable to corporate activities related primarily to Net Element's sponsorship and participation in the Ferrari Challenge (whereby Net Element contracted to pay $50,000 per year in cash and provide $200,000 per year in advertising value on its websites in exchange for a Platinum Sponsorship for the Ferrari Challenge over two race seasons). Yapik business development expenses related primarily to on campus marketing efforts. Motorsport business development expenses related primarily to branding through the use of paid marketing professionals at race events and the purchase of promotional items.

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General and administrative expenses were $23,831,750 for the twelve months ended December 31, 2011 as compared to $3,066,261 for the nine months ended December 31, 2010. General and administrative expenses for the twelve months ended December 31, 2011 and the nine months ended December 31, 2010 consisted of operating expenses not otherwise delineated in Net Element's Consolidated Statements of Operations, including non-cash compensation expense, salaries and benefits, professional fees, rent, filing fees and other expenses required to run its business, as follows:

General and Administrative Expenses Summary Comparison:

Category	Twelve Months Ended December 31, 2011	Nine Months Ended December 31, 2010	Variance
Non-cash compensation expense from subscription agreements and share based compensation	$ 19,350,902	$ 2,216,391	$17,134,511
Salaries and Benefits	3,104,261	465,127	2,639,134
Professional fees	671,936	226,285	445,651
Rent	247,953	37,970	209,983
Filing fees	32,708	35,604	(2,896)
Other expenses	423,990	84,884	339,106
Totals	$ 23,831,750	$ 3,066,261	$20,765,489

Non-cash compensation expense from subscription agreements and share based compensation was $19,350,902 for the twelve months ended December 31, 2011 compared to $2,262,224 for the nine months ended December 31, 2010. The non-cash compensation expenses were higher for the twelve months ended December 31, 2011 as compared with the nine months ended December 31, 2010 primarily due to the intrinsic value charges from the stock issued pursuant to the Enerfund Subscription Agreement (as described below), the increased use of stock options as compensation for contractors, advisors and employees in 2011 and the acquisition of Openfilm late in the year (December 14, 2010).

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On December 31, 2010, Net Element entered into a Subscription Agreement with Enerfund, LLC (the "Enerfund Subscription Agreement") pursuant to which it received an aggregate of $2,000,000 in exchange for the issuance of 200,000,000 shares of Net Element Common Stock and warrants to purchase 100,000,000 shares of Net Element Common Stock at an exercise price of $0.05 per share for a period of five years from the date of issuance. However, Net Element did not have a sufficient number of authorized shares of Net Element Common Stock to fully issue these securities to Enerfund at December 31, 2010. Accordingly, this transaction was accounted for as a purchase by Enerfund as of December 31, 2010 of 112,000,000 shares of Net Element Common Stock and fully vested warrants to purchase 56,000,000 shares of Net Element Common Stock for $0.05 per share in exchange for $1,120,000. A compensation charge of $560,000 was recorded for the nine months ended December 31, 2010 as one of Net Element's officers is also a principal of Enerfund. This amount is calculated as the Black-Scholes valuation of the warrants issued as of December 31, 2010. The balance of the proceeds of $880,000 was accounted for as an advance until March 7, 2011, when Net Element issued the balance of the shares and warrants. Since Enerfund is owned by an officer/director, Net Element recorded a compensation charge of $18,920,000 during the twelve months ended December 31, 2011, which is comprised of the Black-Scholes value of the warrants ($6,600,000) and the intrinsic market value of the Net Element Common Stock issued ($12,320,000). For the nine months ending December 31, 2010, compensation charges included the $560,000 (discussed above) for the Enerfund Subscription Agreement (2010 portion), $1,620,787 for Net Element's first subscription agreement (as amended) with TGR Capital, LLC, $25,464 for vesting options during the year and $10,140 for shares for services.

Salaries and benefits expenses were $3,104,261 for the twelve months ended December 31, 2011 compared to $465,127 for the nine months ended December 31, 2010. Salaries and benefits for the twelve months ended December 31, 2011 were higher than for the nine months ended December 31, 2010 due to an increase in Net Element, Inc. (Corporate) headcount mostly in November and December 2010, the shortened fiscal year period in 2010, the acquisition of Openfilm late in the year (December 14, 2010) and the addition of several new web properties during 2011 (including LegalGuru, Yapik, Music and Motorsport). Salaries and benefits attributable to Net Element, Inc. (Corporate) and the properties or subsidiaries of Net Element for the twelve months ended December 31, 2011 versus the nine months ended December 31, 2010 were as follows:

Web Property / Group of Properties	Salaries and Benefits for the Twelve Months Ended December 31, 2011	Salaries and Benefits for Nine Months Ended December 31, 2010
Net Element Inc. (Corporate)	1,568,945	392,742
LegalGuru	54,476	-
Yapik	115,534	-
NetLab & Zivos (Engineering)	880,947	49,470
Music	202,219	-
Motorsport	35,459	-
Openfilm/Launchpad	246,681	22,915
Total	3,104,261	465,127

Professional fees were $671,936 for the twelve months ended December 31, 2011 compared to $226,285 for the nine months ended December 31, 2010, as follows:

	Twelve Months Ended December 31, 2011	Nine Months Ended December 31, 2010	Variance
General Legal	$ 161,070	$ 3,465	$157,605
SEC Compliance Legal Fees	84,304	93,940	(9,636)
Accounting and Auditing	83,160	86,761	(3,601)
Tax Compliance and Planning	73,529	7,500	66,029
Consulting	254,873	19,269	235,604
Consulting - Financial Reporting Controls	15,000	12,870	2,130
Other	-	2,480	(2,480)
Total	$ 671,936	$ 226,285	$445,651

General legal expenses increased in 2011 primarily due to business development work in China and Russia, which totaled approximately $100,000. For 2011, Net Element also spent $20,941 to establish Cayman operations and $11,729 to defend Net Element in a California employment matter. Tax compliance and planning expenses increased $66,029 due to increased tax compliance efforts in 2011 and an increased number of tax returns / information returns required to be prepared.

Consulting fees increased $235,604 in 2011 primarily due to consulting fees for Motorsport ($91,303), Music ($64,259), Yapik ($25,895), LegalGuru ($25,623) and $27,500 paid for consulting related to the development of additional advertising revenues.

Rent expenses were $247,953 for the twelve months ended December 31, 2011 compared to $37,970 for the nine months ended December 31, 2010. The increase in rent expenses was primarily due to Net Element's move to new corporate headquarters in mid-November 2010 at a higher monthly rent ($15,648 per month under the new lease versus $1,000 per month under Net Element's prior lease).

Filing fees consist of printing costs associated with SEC filings and registration fees paid to various states. Filing fees were $32,708 for the twelve months ended December 31, 2011 compared to $35,604 for the nine months ended December 31, 2010.

Interest expense for the twelve months ended December 31, 2011 was $171,319 as compared to $0 for the nine months ended December 31, 2010. For 2011, Net Element had interest expense primarily related to several loans made by Enerfund, LLC to Net Element or its subsidiaries to fund operations at the end of 2010 and during 2011, as described under "Liquidity and Capital Resources" below.

Other expenses totaled $45,942 for the twelve months ended December 31, 2011 compared to other income of $2,946 for the nine months ended December 31, 2010. Other expenses for the twelve months ended December 31, 2011 related primarily to the write-down of Net Element's investment in Korlea-TOT. For the nine months ended December 31, 2010, other income was primarily attributed to contest fees from Openfilm.

Going Concern

Net Element had a net loss of $24,853,100 for the twelve months ended December 31, 2011 and a net loss of $3,101,146 for the nine months ended December 31, 2010 and further losses are anticipated. Net Element had negative cash flow from operations of $4,979,221 for the twelve months ended December 31, 2011, and had an accumulated deficit of $51,274,033 and shareholders' deficiency of $5,223,624 at December 31, 2011. Net Element's ability to continue operating is limited without continued availability of financing, of which there can be no assurance. These matters raise substantial doubt about Net Element's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might be necessary if Net Element is unable to continue as a going concern. Net Element is dependent on continued funding by entities controlled by its Chairman and Chief Executive Officer, Mike Zoi (including through Enerfund, LLC and/or TGR Capital, LLC), of which there can be no assurance, as Mr. Zoi is not obligated to continue such funding. Net Element will need to raise additional funds by the end of the second quarter of 2012 in order to continue operations. See also "Liquidity and Capital Resources" below.

Liquidity and Capital Resources

At March 31, 2012, Net Element had an accumulated deficit of $53,658,028, negative working capital of $2,071,946 and cash of $635,145. Net Element had a net loss of $2,383,995 for the three months ended March 31, 2012, a net loss of $20,314,897 for the three months ended March 31, 2011, and further losses are anticipated. Net Element had negative cash flows from operations of $1,322,504 for the three months ended March 31, 2012 and negative cash flows from operations of $1,556,801 for the three months ended March 31, 2011.

Net Element had a net loss of $24,853,100 for the twelve months ended December 31, 2011 and a net loss of $3,101,146 for the nine months ended December 31, 2010. Net Element had negative cash flow from operations of $4,979,221 for the twelve months ended December 31, 2011 and negative cash flow from operations of $1,519,972 for the nine months ended December 31, 2010.

Net Element has historically been primarily dependent upon TGR Capital, LLC, Enerfund, LLC or Mike Zoi (as a result of his controlling interest in TGR and Enerfund) to fund its operations. Pursuant to a Subscription Agreement entered into with TGR Capital, LLC dated August 7, 2008, as amended on January 12, 2010, TGR Capital was obligated to invest up to $4,000,000 to fund Net Element's working capital requirements in exchange for up to 200,000,000 shares of Net Element Common Stock and warrants to purchase up to 100,000,000 shares of Net Element Common Stock with an exercise price of $0.05 per share. The shares and warrants were issued quarterly and Net Element recorded an appropriate compensation expense as necessary based on the fair value of the securities on the last day of each fiscal quarter (the date of issuance). At December 31, 2010, TGR Capital had fulfilled its investment obligations under that Subscription Agreement, as amended.

On December 10, 2010, Openfilm entered into a loan agreement with Enerfund, LLC in the principal amount of $1,667,020. The annual interest rate is 5% payable annually on December 31. The loan matures on December 10, 2012 with accrued and unpaid interest due at that time. The balance due under this loan at March 31, 2012 was $1,667,762.

On December 31, 2010, Net Element entered into a Subscription Agreement with Enerfund, LLC pursuant to which Net Element received an aggregate of $2,000,000 in exchange for the issuance of 200,000,000 shares of Net Element Common Stock and warrants to purchase 100,000,000 shares of Net Element Common Stock at an exercise price of $0.05 per share for a period of five years from the date of issuance. However, Net Element did not have a sufficient number of authorized shares of Net Element Common Stock to fully issue these securities to Enerfund at December 31, 2010. Accordingly, this transaction was accounted for as a purchase by Enerfund as of December 31, 2010 of 112,000,000 shares of Net Element Common Stock and fully vested warrants to purchase 56,000,000 shares of Net Element Common Stock for $0.05 per share in exchange for $1,120,000. The balance of the proceeds of $880,000 was accounted for as an advance until March 7, 2011, when Net Element issued the balance of the shares and warrants.

On February 1, 2011, Net Element purchased all of the equity interests in Motorsport, LLC from Enerfund, LLC. As consideration for that acquisition, Net Element paid to Enerfund $130,000 and agreed to take over responsibility for the obligations of Motorsport, LLC under a Stock Purchase Agreement dated December 17, 2010 pursuant to which Motorsport, LLC would acquire all of the equity interests in Motorsport.com, Inc. At the time of Net Element’s acquisition of Motorsport, LLC, pursuant to the December 17, 2010 Stock Purchase Agreement, Motorsport, LLC had already acquired 80% of the outstanding common stock of Motorsport.com, Inc., although Motorsport, LLC remained obligated under the Stock Purchase Agreement to pay an aggregate of $450,000 to the sellers in four quarterly installments beginning on December 1, 2013. Pursuant to an amendment to the Stock Purchase Agreement dated January 10, 2012, that payment obligation was amended to provide that: (i) Motorsport, LLC must pay to the sellers $300,000 in cash in four equal annual installments of $75,000 each beginning on January 10, 2012, with each subsequent installment payable on each annual anniversary thereafter until such $300,000 is paid in full; and (ii) Net Element must issue to the sellers an aggregate of 1,333,333 shares of Net Element Common Stock. The initial $75,000 installment was paid by Net Element and Net Element issued such 1,333,333 shares of Net Element Common Stock to the sellers. The sellers have a security interest in the Internet domain names of Motorsport.com, Inc. as collateral for Net Element’s and Motorsport’s remaining payment obligations.

The December 17, 2010 Stock Purchase Agreement provided Motorsport, LLC an option until December 16, 2018 to purchase the remaining 20% of the outstanding common stock of Motorsport.com, Inc. for a price per share of between $0.1075 and $0.1435 (or an aggregate of between $400,330 and $534,394) depending upon when the option was exercised, payable in either cash or shares of preferred stock of Motorsport.com, Inc. having an equivalent value. If the option were exercised before December 17, 2015, then the purchase price for the remaining 20% interests would have been $0.1075 per share, or an aggregate of $400,330. Pursuant to the January 10, 2012 amendment to the Stock Purchase Agreement, Motorsport, LLC exercised its option to acquire the remaining 20% interests for a purchase price consisting solely of the Net Element’s issuance to the sellers of an aggregate of 3,333,333 shares of Net Element Common Stock.

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On January 31, 2011, Motorsport, LLC entered into a loan agreement with Enerfund, LLC in the principal amount of $184,592. The annual interest rate was 5% payable annually on December 31. The loan was scheduled to mature on the third anniversary of each funding under the loan agreement, which fundings occurred from October 2010 through January 2011, with accrued interest due at that time. This loan was repaid in full on February 24, 2011 for an aggregate of $186,808.

On February 1, 2011, Net Element purchased all of the equity interests in Music1, LLC from Enerfund, LLC for an aggregate purchase price of $15,000. Net Element was required to invest at least $500,000 in Music1 by December 31, 2012, which requirement was met during the fourth quarter of 2011.

On January 31, 2011, Music1, LLC entered into a loan agreement with Enerfund, LLC in the principal amount of $128,890. The annual interest rate was 5% payable annually on December 31. The loan was scheduled to mature on the third anniversary of each funding under the loan agreement, which fundings occurred from October 2010 through January 2011, with accrued and unpaid interest due at that time. This loan was repaid in full on February 24, 2011 for an aggregate of $131,827.

On April 24, 2012, Net Element entered into an amended and restated joint venture agreement with an effective date of December 31, 2011, which amends and restates the joint venture agreement originally entered into with Mr. Wolfe as of March 29, 2011 in connection with the formation of LegalGuru LLC. Net Element owns a 70% interest in LegalGuru LLC and Mr. Wolfe, who is a director and Secretary of the Company and Chief Executive Officer and Chairman of LegalGuru LLC, through Lobos Advisors, LLC (a company of which Mr. Wolfe is the President and managing member), owns a 30% interest in LegalGuru LLC. The amended and restated joint venture agreement requires Net Element and Mr. Wolfe to invest up to an aggregate of $900,000 in LegalGuru LLC, with Mr. Wolfe investing up to an aggregate of $100,000 and Net Element investing up to an aggregate of $800,000. The original joint venture agreement required Net Element and Mr. Wolfe to invest up to an aggregate of $1,000,000 in LegalGuru LLC, with Mr. Wolfe investing up to an aggregate of $200,000 and Net Element investing up to an aggregate of $800,000. In connection with the $100,000 reduction in the amount required to be invested in LegalGuru LLC by Mr. Wolfe, Mr. Wolfe agreed to maintain his current salary of $10,000 per month, with $8,000 of such amount paid in cash and $2,000 paid in stock options of Net Element, until LegalGuru LLC generates at least $500,000 in revenue. As of March 31, 2012, Mr. Wolfe had invested $71,279 in LegalGuru LLC and Net Element had invested $830,983 in LegalGuru LLC.

On April 4, 2011, Net Element entered into a public relations contract with Roar Media, LLC to provide press related services and assist with community outreach and strategic alliances. The term of this agreement was for six months and provided for monthly remuneration of $14,000 and 5,000 shares of Net Element Common Stock with an option by Net Element to renew for successive six-month periods. This agreement was modified to provide for monthly remuneration in July 2011 of $7,000 and 5,000 shares. August and September 2011 were revised to $6,500 per month plus 5,000 shares per month. Beginning in October 2011, Net Element agreed to same terms, as revised, on a month to month basis.

On April 15, 2011, Net Element entered into a two-year cross advertising transaction with Ferrari North America, Inc. whereby Net Element contracted to pay $50,000 per year in cash and provide $200,000 per year in advertising value on its websites in exchange for a Platinum Sponsorship for the Ferrari Challenge over two race seasons. This arrangement provides Net Element with marketing outreach and exposure to potential investors. The agreement stipulates that the Ferrari Challenge must advertise on any Net Element website within one year from date of execution. Accordingly, Net Element will recognize $200,000 in advertising revenue as Ferrari utilizes the advertisements. Of the total cash expense of the sponsorship ($100,000 over two years), $50,000 was recognized as a charge to operations over the five month period May to September 2011 during the Ferrari Challenge. Additionally, Net Element recorded a $200,000 expense during 2011 for the value of website services provided in exchange for the sponsorship.

On May 16, 2011 Net Element entered into a three-year, unsecured convertible promissory note and loan agreement with Enerfund, LLC in the principal amount of $2,000,000. The annual interest rate is 5.0% and principal and interest is due on or before April 27, 2014. The loan may be pre-paid at any time without penalty. Outstanding principal may be converted by Enerfund at any time into shares of Net Element Common Stock at a conversion price of $0.11 per share. Enerfund has funded the full amount of this note and the balance at March 31, 2012 was $2,000,000.

On June 16, 2011, Net Element entered into a Subscription Agreement pursuant to which it sold a 15% ownership interest in its subsidiary Yapik LLC in exchange for a $100,000 investment in Yapik LLC, which was received on June 20, 2011. The related party investor, who is employed by Yapik, has an option, which is exercisable for 36 months, to convert the 15% ownership interest in Yapik LLC into 1,500,000 shares of Net Element Common Stock.

On August 9, 2011, Net Element entered into a Stock Purchase Agreement pursuant to which it was to acquire 100% of the outstanding equity interests in Stratuscore, Inc., a State of Washington corporation (Stratuscore), from its selling shareholder, Denise Muyco (who is the spouse of Net Element's Executive Vice President and Chief Strategy Officer, Richard Lappenbusch), in exchange for the issuance of 10 million shares of Net Element Common Stock. On November 10, 2011, Net Element and the selling shareholder mutually agreed to terminate and unwind that transaction. The 10 million shares of Net Element Common Stock issuable pursuant to that transaction were not delivered to the selling shareholder. Amounts advanced and costs incurred by Net Element through March 31, 2012 ($201,557), are reflected as advances in Net Element's consolidated balance sheets. As consideration for amounts advanced to Stratuscore, Stratuscore agreed to issue Net Element a convertible promissory note convertible into equity in Stratuscore at the same rate as Ms. Muyco agrees to accept investment from a bona fide third party in the next investment round or lender terms. In the event that there is no further investment in Stratuscore, then the amount invested in Stratuscore by Net Element would be based on the Net Element's original valuation of Stratuscore.

On October 24, 2011, Net Element entered into a three-year, unsecured convertible promissory note and loan agreement with Enerfund, LLC in the principal amount of $1.6 million. The annual interest rate under the note is 5% and principal and interest is due on or before October 24, 2014. The note may be pre-paid at any time without penalty. Outstanding principal under the note may be converted by Enerfund, LLC at any time into shares of Net Element Common Stock at a conversion price of $0.11 per share. Upon conversion of the note, Net Element is required to issue to Enerfund, LLC a five-year warrant to purchase a number of shares of Net Element Common Stock equal to the number of shares issued upon such conversion with an exercise price of $0.11 per share. This loan was fully funded at December 31, 2012, and the balance at March 31, 2012 was $1,600,000.

On February 2, 2012, Net Element entered into a Subscription Agreement with one of its directors, Felix Vulis, pursuant to which Mr. Vulis purchased from Net Element for $100,000: (i) 666,667 shares of Net Element Common Stock; (ii) a three-year warrant to purchase up to an additional 666,667 shares of Net Element Common Stock with an exercise price of $0.25 per share; (iii) a three-year warrant to purchase up to an additional 666,667 shares of Net Element Common Stock with an exercise price of $0.50 per share; and (iv) a three-year warrant to purchase up to an additional 666,666 shares of Net Element Common Stock with an exercise price of $1.00 per share.

On February 23, 2012, Net Element entered into a Subscription Agreement pursuant to which it sold 13,333,334 newly issued shares of Net Element Common Stock to Kenges Rakishev for an aggregate purchase price of $2,000,000.10, or $0.15 per share. On February 24, 2012, Net Element entered into a Shareholder Rights Agreement (the “Shareholder Rights Agreement”) with Mark Global Corporation, Kenges Rakishev, Mike Zoi, TGR Capital, LLC, MZ Capital, LLC (Delaware), MZ Capital, LLC (Florida) and Enerfund, LLC. The companies TGR Capital, LLC, MZ Capital, LLC (Delaware), MZ Capital, LLC (Florida) and Enerfund, LLC are directly or indirectly owned and controlled by Mike Zoi. Pursuant to the Shareholder Rights Agreement, the Shareholders agreed to certain corporate governance matters pertaining to Net Element and Net Element granted registration rights to each of Mark Global Corporation, Kenges Rakishev, TGR Capital, LLC, Mike Zoi and certain of their assignees (collectively, the “Holders”). Upon demand by any of the Holders, Net Element agreed to register from time to time with the Securities and Exchange Commission for resale (i) all shares of Net Element Common Stock from time to time owned by Mark Global Corporation, Kenges Rakishev or any other person or entity controlled by Kenges Rakishev; and (ii) all shares of Net Element Common Stock from time to time owned by TGR Capital, LLC, Mike Zoi or any other person or entity controlled by Mike Zoi. Net Element also granted the Holders piggyback registration rights with respect to all of such shares. Net Element agreed to bear substantially all expenses incidental to the registration rights granted pursuant to the Shareholder Rights Agreement. The Shareholder Rights Agreement became effective at 12:01 a.m. (New York time) on April 23, 2012 which was the first business day immediately following the date on which Mark Global Corporation, together with its affiliates, acquired beneficial ownership (as determined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of greater than 10% of Net Element Common Stock.

On April 6, 2012, Net Element entered into a Joint Venture Agreement with Igor Yakovlevich Krutoy. Pursuant to the Joint Venture Agreement, the parties agreed to form a limited liability company under the laws of the Russian Federation named Music1 ("Music1 Russia"), which would be owned 67% by Net Element's newly formed subsidiary Net Element Russia and 33% by a newly formed company controlled by Mr. Krutoy which is to be named K1 Holdings. Net Element agreed to contribute to Music1 Russia (i) exclusive, non-assignable, royalty-free, perpetual, world-wide rights to use and operate the Internet domain www.music1.com (the "Website"); (ii) non-exclusive, non-assignable, limited, royalty-free, perpetual, world-wide rights to use Net Element's Launchpad computer system technology for the operation of Internet based contests; (iii) non-exclusive, non-assignable, limited, royalty-free, perpetual, world-wide rights to integrate Net Element's Music Brain technology into the Website and (iv) not less than $2 million in the form of an interest-free loan to maintain the operations of Music1 Russia. Mr. Krutoy also agreed to (i) provide monetization opportunities, propositions and other business development introductions identified by Music1 Russia as having significant business potential and (ii) act as an advisor and Chairman of the Board of Directors of Music1 Russia for a period of two years. As consideration for such advisory services and services as Chairman of the Board of Directors of Music1 Russia, Net Element agreed to issue Mr. Krutoy 5 million shares of restricted stock of the Company, with half of such shares issued to Mr. Krutoy within one month after he becomes Chairman of Music1 Russia and the other half of such shares issued to Mr. Krutoy within one month after the start of the second calendar year of his term as Chairman of Music1 Russia. In accordance with the Joint Venture Agreement, on June 6, 2012 Mr. Krutoy entered into a Subscription Agreement to purchase 13,333,333 shares of Net Element Common Stock for an aggregate purchase price of $2 million, which amount was funded on June 6, 2012.

On May 14, 2012, Net Element entered into a $500,000 principal amount Promissory Note and Loan Agreement with Enerfund maturing November 1, 2012. The interest rate is 5% per annum.

As a result of Net Element's history of recurring losses and its accumulated deficit and shareholders' deficiency, the audit report of its independent registered public accounting firm as of December 31, 2011 contains a statement expressing substantial doubt as to Net Element's ability to continue as a going concern. Net Element's management recognizes that it must raise capital sufficient to fund business activities until such time as Net Element can generate sufficient revenues and net cash flows in amounts necessary to enable it to continue contemplated operations, of which there can be no assurance. Net Element has historically been dependent upon TGR Capital, LLC, Enerfund, LLC or Mike Zoi (as a result of his controlling interest in TGR and Enerfund) to fund its operations and Net Element is exploring additional sources of financing in order to meet its financial requirements. As of the date of this joint proxy statement/prospectus, Net Element's management expected that Net Element's cash flows from operations and the $2 million subscription received from Igor Yakovlevich Krutoy will be sufficient to meet Net Element's financial requirements through most of the third fiscal quarter of 2012. Net Element's management currently believes that Net Element will require an additional $3.7 million in financing to continue operations as currently conducted and to pay for anticipated capital expenditures over the next 12 months. Additional funds may be raised through debt financing and/or the issuance of equity securities, there being no assurance that any type of financing on terms satisfactory to Net Element will be available or otherwise occur. Debt financing must be repaid regardless of whether Net Element generates revenues or cash flows from operations and may be secured by substantially all of its assets. Any equity financing or debt financing that requires the issuance of equity securities or warrants to the lender would cause the percentage ownership by Net Element's current shareholders to be diluted, which dilution may be substantial. Also, any additional equity securities issued may have rights, preferences or privileges senior to those of existing shareholders. If such financings are not available when required or are not available on acceptable terms, Net Element may be unable to implement its business plans or take advantage of business opportunities, any of which could have a material adverse effect on its business prospects, financial condition and results of operations and may ultimately require Net Element to suspend or cease operations.

Off-balance sheet arrangements

At March 31, 2012, Net Element did not have any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update 2011-04, "Fair Value Measurement" ("ASU 2011-04"). The primary focus of ASU 2011-04 is the convergence of accounting requirements for fair value measurements and related financial statement disclosures under United States generally accepted accounting principals, or GAAP, and International Financial Reporting Standards, or IFRS. While ASU 2011-04 does not significantly change existing guidance for measuring fair value, it does require additional disclosures about fair value measurements and changes the wording of certain requirements in the guidance to achieve consistency with IFRS. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011, and is required to be applied prospectively. Net Element does not anticipate a material impact to the consolidated financial statements upon adoption in 2012.

In June 2011, the FASB issued Accounting Standards Update 2011-05, "Presentation of Comprehensive Income" ("ASU 2011-05"). This guidance requires companies to present the components of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, amounts reclassified from Other Comprehensive Income, or OCI, to net income for each reporting period must be displayed as components of both net income and OCI on the face of the financial statements. The guidance does not change the items that are reported in OCI. ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011. Other than presentational changes, Net Element does not anticipate a significant impact to the consolidated financial statements upon adoption in 2012.

In September 2011, the FASB issued amendments to its accounting guidance on testing goodwill for impairment. The amendments allow entities to use a qualitative approach to test goodwill for impairment. This permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is required to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. This guidance is effective for annual and interim goodwill impairment test performed for fiscal years beginning after December 15, 2011 and early adoption is permitted. Net Element did not early adopt this guidance and does not anticipate a material impact to the consolidated financial statements upon adoption in 2012.

Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Directors, Executive Officers And Corporate Governance

The directors and executive officers of Net Element and their respective ages, and positions with Net Element and certain business experience as of June 11, 2012 are set forth below. Mike Zoi's niece is married to Dmitry Kozko. Except for the relationship between Messrs. Zoi and Kozko, there are no family relationships among any of the directors or executive officers.

Name	Age	Position	Year Appointed
Mike Zoi	46	CEO & Chairman of the Board of Directors	2007
Kenges Rakishev	32	Director	2012
Felix Vulis	56	Director	2011
Curtis Wolfe	48	Director, Secretary, CEO & Chairman of LegalGuru	2007
James Caan	71	Director	2011
Richard Lappenbusch	44	Executive Vice President, Chief Strategy Officer	2011
Dmitry Kozko	28	Director, EVP of Business Development, CEO of Openfilm	2009
Jonathan New	52	Chief Financial Officer	2008
Ivan Onuchin	36	Chief Technology Officer	2010

Each of Net Element's directors will hold office until Net Element's next annual meeting of shareholders at which directors are elected or until his successor is duly elected and qualified. Executive officers serve at the discretion of Net Element's board of directors.

Mike Zoi, Chief Executive Officer & Chairman of the Board. Mr. Zoi has been Chief Executive Officer and Chairman of Net Element's board of directors since 2007. Mr. Zoi served as a director of Ener1, Inc. from February 2002 to August 2008 and a vice president of Ener1, Inc. from February 2007 to August 2008. Ener1, Inc. is engaged primarily in the business of designing, developing and manufacturing rechargeable lithium-ion batteries and battery pack systems for use in the transportation, grid energy storage and small pack, or consumer cell product markets. In 2006, Mr. Zoi founded and he continues to own 100% of Enerfund, LLC, a Florida limited liability company that owns interests in a variety of high growth businesses focused on technology, alternative energy transportation and real estate. Earlier in his career, Mr. Zoi worked in various capacities relating to international finance and business development.

Kenges Rakishev, Director. Mr. Rakishev is the Chairman of SAT & Company JSC since November 2008. Since August 2011, he has been a non-executive director and Chairman of SAT & Co Netherlands N.V. and, from September 2011, Mr. Rakishev has been a director of SatFerro Limited. Since December 2010, Mr. Kenges Rakishev has been a Chairman of several companies including: Jinsheng SAT (Tianjin) Commercial and Trading Co., Ltd.; Ulanhot Jinyuanda Heavy Chemical Industry Co., Ltd; Baicheng Jinsheng Nickel Industry Co.,Ltd.; and, Taonan City Jinsheng Metallurgical Products Co. From October 2004 through the present Mr. Rakishev has served as a Vice-President of the Union of Chambers of Commerce of the Republic of Kazakhstan. Since 2010, Mr. Rakishev has been the Vice-President of The Boxing Association of Republic of Kazakhstan and, since 2011, he has been the Vice-President of Asian Boxing Confederation. On April 23, 2012 Mr. Rakishev was appointed to the Board of Directors of Net Element, Inc. Mr. Rakishev holds B.A.(Law) from the Kazakh State Law Academy and B.A (International Economics) from the Kazakh Economic University. Mr. Rakishev also has AMP Diploma from Oxford University. We believe that Mr. Rakishev's international business leadership and relationships, combined with his extensive knowledge and unique perspectives of global business opportunities, qualifies him to serve as a Director on the NEI board.

Felix Vulis, Director. Mr. Vulis has been a director of Net Element since December 14, 2011. Mr. Vulis is currently Chief Executive Officer of Eurasian Natural Resources Corporation PLC (“ENRC”) (LSE: ENRC.L), a FTSE 100 company, and has been Chief Executive Officer of ENRC since August 2009. ENRC is a leading diversified natural resources group with integrated mining, processing, energy, logistics and marketing operations. Prior to his appointment as Chief Executive Officer of ENRC, Mr. Vulis was Chief Operating Officer of ENRC since December 2006. Between 2002 and 2006, Mr. Vulis was First Vice President of Eurasia Industrial Association. Before joining the ENRC group in 2001, Mr. Vulis was President of UNICHEM K, LLC. From 1990 until 1995 he was President and Chief Executive Officer of AGC Group, Inc.

Curtis Wolfe, Director, Secretary, CEO & Chairman of LegalGuru. Mr. Wolfe has been a director of Net Element since 2004 except for the period beginning August 31, 2007 and ending December 18, 2007. In addition, since March 29, 2011, Mr. Wolfe has been the Chief Executive Officer and Chairman of LegalGuru LLC, a Florida limited liability company, in which Net Element owns a 70% interest and Mr. Wolfe owns a 30% interest. From 2004 to 2007, Mr. Wolfe served as Chief Operating Officer, Executive Vice President and General Counsel of Ener1 Group, Inc., which, during that period, was the largest shareholder of alternative energy company Ener1, Inc. Prior to his involvement with Ener1 Group, Inc., he was a partner in an international law firm based in Miami where he focused on mergers and acquisitions, start-up company financing, franchising and intellectual property. His experience also includes equity and debt offerings and compliance with reporting requirements for publicly traded companies. From 2007 until he joined Net Element, Mr. Wolfe was the president and managing member of a private business consulting company, Lobos Advisors, LLC, assisting start-up businesses in defining their business objectives, strategic goals, and expanding business opportunities. Mr. Wolfe currently holds his interest in LegalGuru LLC through his interest in Lobos Advisors, LLC. Mr. Wolfe is the founder of WCIS Media, LLC, a company that launched whocanisue.com, an online legal portal where he served as an executive officer from 2007 until 2009. Mr. Wolfe served 11 years in the United States Air Force from 1981 to 1992. Mr. Wolfe has a BS in English, Mathematics and Latin American Studies from Weber State University and a JD from the University of Iowa College of Law, where he graduated with distinction. He is also a screenwriter and author.

James Caan, Director. Mr. Caan has been a director of Net Element since January 1, 2011. Mr. Caan also has been the Chairman of Advisory Board of Openfilm since October 12, 2009. Pursuant to Mr. Caan's advisory agreement with Openfilm, Mr. Zoi and Mr. Kozko are obligated to vote their shares in Net Element in favor of Mr. Caan as a director of Net Element until December 14, 2013. Mr. Caan is an actor and director working in the film and TV industries for over 40 years and one of the industry's most renowned talents, having starred in over 80 films.

Richard Lappenbusch, Executive Vice President & Chief Strategy Officer. Mr. Lappenbusch has been Executive Vice President and Chief Strategy Officer of Net Element since June 6, 2012. From February 15, 2011 until June 6, 2012, Mr. Lappenbusch was President and Chief Operating Officer of Net Element. Prior to joining Net Element, Mr. Lappenbusch was Founder and Managing Partner of Novus Ordo LLC, a professional media and technology consulting company from July 2009 until February 2011. From 1993 to 2009, Mr. Lappenbusch held various positions with Microsoft and its affiliated companies, including Director of Global Foundation Services, managing the business and service units of a cloud computing services group; Director of Entertainment & Devices, responsible for analysis of business interests relating to video-on-demand, advertising and subscription services business models; and Director of Strategic Planning of Windows, managing strategic planning of the Windows Client Operating System. From 1999 to 2000, Mr. Lappenbusch was Director of Monitoring, Reporting and Analysis at MSN, where he was responsible for product development focusing on global Internet user monitoring and reporting services. From 1996 to 1999, Mr. Lappenbusch was Director of Operations at MSNBC Interactive News, LLC, a joint venture of GE's NBC business unit and Microsoft, where he was instrumental in building the Internet operations unit for news production and distribution. From 1993 to 1995, Mr. Lappenbusch was Lead Program Manager at Microsoft Research, responsible for designing and developing interactive television post-production facilities and services. Mr. Lappenbusch received a MPS from New York University's Tisch School of the Arts in Interactive Telecommunications (ITP), and a BS from the University of Redlands in Business Administration.

Dmitry Kozko, Director, EVP of Business Development, CEO of Openfilm. Mr. Kozko co-founded Net Element's subsidiary Openfilm, LLC in 2007 and has been Chief Executive Officer of Openfilm since 2009. Mr. Kozko has been Executive Vice President of Business Development of Net Element since December 2010 and a director of Net Element since October 24, 2011. From 2007 until 2009, Mr. Kozko was Chief Marketing Officer of Openfilm. During his tenure with Openfilm, Mr. Kozko has been responsible for marketing and sales initiatives, business development, overseeing technological development and capital raising. Prior to co-founding Openfilm, Mr. Kozko was a consultant responsible for developing the business infrastructure and Web presence for companies and clients in the online entertainment, real estate and consumer goods space. Since 2006, Mr. Kozko has provided advisory services to Enerfund, LLC and TGR Capital, LLC (companies controlled by Net Element's Chairman and Chief Executive Officer, Mike Zoi) and assisted in evaluating technology-based companies.

Jonathan New, Chief Financial Officer. Mr. New has been Chief Financial Officer of Net Element since March 10, 2008. From 2001 to 2003, Mr. New was Chief Operating Officer of Ener1, Inc. From 2004 until it was sold in 2006, Mr. New owned and operated Wholesale Salon Furniture Corp.com, which imported and distributed salon equipment. Thereafter, until joining Net Element, Mr. New provided services to public companies on a variety of corporate accounting, reporting and audit related issues. Prior to joining Ener1, Inc. in 2001, Mr. New held controller and chief financial officer positions with companies including Häagen-Dazs, Virtacon (a web development company), RAI Credit Corporation and Prudential of Florida. Mr. New obtained his BS in Accounting from Florida State University and began his career with Accenture. He is a member of the Florida Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

Ivan Onuchin, Chief Technology Officer. Mr. Onuchin joined Net Element on November 1, 2010 and was appointed Chief Technology Officer of Net Element and its subsidiaries on December 14, 2010. From December 2008 through October 2010, Mr. Onuchin was employed with EdgeTech, Inc., an underwater imaging company, as a software engineer responsible for the creation of architecture and software development for a new generation of products for managing advanced underwater sonar imaging systems. From September 2005 until December 2008, Mr. Onuchin was Chief Technology Officer of Helpful Technologies, Inc. and its subsidiaries, a Florida-based software development company providing products that simplify access and navigation to the Internet. Mr. Onuchin’s responsibilities for Helpful Technologies, Inc. included development of break-through technologies allowing users to navigate on the Internet without launching a browser. From February 2004 through June 2005, Mr. Onuchin was the Chief Technology Officer of Splinex Technology, Inc., a predecessor of Net Element, which was involved in the development of advanced technologies in the three-dimensional computer graphics industry. Throughout his career, Mr. Onuchin was responsible for the creation of proprietary intellectual property portfolios and managed local and outsourced teams of software developers. Mr. Onuchin has a post-graduate degree from the Russian Academy of Science, where he has also taught classes in advanced mathematics. Mr. Onuchin has also taught at Ural State Technical University and Ural State University.

Shareholder Rights Agreement

On February 24, 2012, the Net Element entered into a Shareholder Rights Agreement (the Shareholder Rights Agreement) with Mark Global Corporation, Kenges Rakishev, Mike Zoi, TGR Capital, LLC, MZ Capital, LLC (Delaware), MZ Capital, LLC (Florida) and Enerfund, LLC (collectively, the “Shareholders”). The companies TGR Capital, LLC, MZ Capital, LLC (Delaware), MZ Capital, LLC (Florida) and Enerfund, LLC are directly or indirectly owned and controlled by Mike Zoi. As further described below, pursuant to the Shareholder Rights Agreement, the Shareholders agreed to certain corporate governance matters pertaining to Net Element and Net Element granted registration rights to each of Mark Global Corporation, Kenges Rakishev, TGR Capital, LLC, Mike Zoi and certain of their assignees (collectively, the “Holders”).

The Shareholder Rights Agreement became effective at 12:01 a.m. (New York time) on April 23, 2012, which was the first business day immediately following the date on which Mark Global Corporation, together with its affiliates, acquired beneficial ownership (as determined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of greater than 10% of Net Element Common Stock.

The Shareholders agreed to cause the board of directors of Net Element to be comprised of not less than four and not more than eight directors. For so long as TGR Capital, LLC, together with its affiliates, has beneficial ownership (as determined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of greater than 5% of Net Element Common Stock, TGR Capital, LLC is entitled to nominate one director. For so long as Mark Global Corporation, together with its affiliates, has beneficial ownership (as determined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of greater than 5% of Net Element Common Stock, Mark Global Corporation is entitled to nominate one director. For so long as the Shareholder Rights Agreement remains in effect, TGR Capital, LLC and Mark Global Corporation are entitled to nominate two independent directors mutually acceptable to TGR Capital, LLC and Mark Global Corporation. In the event that Mark Global Corporation's director nominee is unable to attend any meeting of the board of directors of Net Element, Mark Global Corporation is entitled to have another representative attend such meeting in a non-voting observer capacity. In addition, so long as Mark Global Corporation, together with its affiliates, has beneficial ownership (as determined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of greater than 10% of Net Element Common Stock, the Shareholders agreed to cause Mark Global Corporation's director nominee to be a member of any compensation committee, nominating committee and audit committee that the board of directors of Net Element may establish, in each case to the extent such directors are permitted to serve on such committees under applicable Securities and Exchange Commission rules.

Additionally, Net Element agreed to obtain customary director and officer indemnity insurance and the Shareholders agreed to cause Net Element's bylaws to be amended, in a manner acceptable to Mark Global Corporation, to provide mandatory indemnification and advancement of expenses for directors of Net Element.

Upon demand by any of the Holders, Net Element agreed to register from time to time with the Securities and Exchange Commission for resale (i) all shares of Net Element Common Stock from time to time owned by Mark Global Corporation, Kenges Rakishev or any other person or entity controlled by Kenges Rakishev; and (ii) all shares of Net Element Common Stock from time to time owned by TGR Capital, LLC, Mike Zoi or any other person or entity controlled by Mike Zoi. Net Element also granted the Holders piggyback registration rights with respect to all of such shares. Net Element agreed to bear substantially all expenses incidental to the registration rights granted pursuant to the Shareholder Rights Agreement.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires Net Element's directors and officers and persons who beneficially own more than ten percent of a registered class of its equity securities to file with the SEC initial reports of ownership and reports of change in ownership of common stock and other equity securities of Net Element. Directors, officers and greater than ten percent shareholders are required by SEC regulations to furnish Net Element with copies of all Section 16(a) forms they file. To Net Element's knowledge, the following persons have failed to file on a timely basis the identified reports required by Section 16(a) of the Exchange Act during the fiscal year ended December 31, 2011:

Name and Relationship	Number of late reports	Transactions not timely reported	Known failures to file a required form
Enerfund, LLC, 10% owner	6	7	0
TGR Capital, LLC, 10% owner	1	2	0
Mike Zoi, CEO, Chairman of the Board of Directors and 10% owner	6	7	0
Felix Vulis, Director	1	0	0
Curtis Wolfe, Secretary and Director	1	2	7
Richard Lappenbusch, Executive Vice President and Chief Strategy Officer	1	0	6
Dmitry Kozko, CEO of Openfilm	1	2	6
Jonathan New, Chief Financial Officer	1	2	6
Ivan Onuchin, Chief Technology Officer	1	2	6
Dean Lucente, Former Chief Revenue Officer (from May 18, 2011 until November 1, 2011)	0	0	5

Code of Ethics and Governance Guidelines

Net Element has adopted a Code of Ethics and Business Conduct that applies to all directors and officers of Net Element, including its principal executive officer and its principal financial and accounting officer. A copy of Net Element's Code of Ethics and Business Conduct has been posted to its Internet website at http://www.netelement.com/code-of-ethics/. Net Element will provide a copy of its Code of Ethics to any person without charge, upon written request to Net Element.

Committees of the Net Element Board

Net Element's entire board of directors currently performs the functions of a nominating committee, compensation committee and audit committee.

Net Element does not have an audit committee financial expert as that term is defined in Item 407(d)(5) of Regulation S-K. Net Element has not yet identified a suitable nominee to serve as an audit committee financial expert.

Executive Compensation

Summary Compensation Table for Fiscal Year 2011

The following table sets forth information for the fiscal years ended December 31, 2011 and 2010 with respect to all compensation paid to or earned by Net Element's Chief Executive Officer and its two most highly compensated executive officers other than its Chief Executive Officer who were serving as executive officers at the end of the last completed fiscal year. Net Element refers to these individuals as the "named executive officers." The information provided below is for the twelve months ended December 31, 2011 and the nine months ended December 31, 2010 (i.e., April 1, 2010 through December 31, 2010).

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	All Other Compen-sation ($)	Total ($)
Mike Zoi (1),	2011	$350,000	$ -	$ -	$ -	$ 12,246	$362,246
Chief Executive Officer	2010	$262,500	$ -	$ -	$ -	$ -	$262,500
Richard Lappenbusch (2),	2011	$244,506	$ 50,000	$ 33,550	$ 72,500	$ 5,825	$406,381
Executive Vice President and Chief Strategy Officer	2010	$ -	$ -	$ -	$ -	$ -	$ -
Jonathan New,	2011	$105,001	$ 24,878	$ 10	$ 36,233	$ 8,371	$174,493
Chief Financial Officer	2010	$68,256	$ 4,874	$ -	$ -	$ -	$73,130

(1) Mr. Zoi also receives health and life insurance benefits available to employees generally.

(2) Mr. Lappenbusch has been Executive Vice President and Chief Strategy Officer of Net Element since June 6, 2012. From February 15, 2011 until June 6, 2012, Mr. Lappenbusch was President and Chief Operating Officer of Net Element.

Mike Zoi became Chief Executive Officer on December 17, 2007. Mr. Zoi is entitled to receive an annual salary of $350,000.

Jonathan New joined Net Element as Chief Financial Officer on March 10, 2008. During 2011, up until March 1, 2011, Mr. New was entitled to receive an annual salary of $91,000 and an annual bonus of $30,000 paid quarterly.

Effective March 1, 2011, Mr. New's annual salary was increased to $140,000 per year. Effective June 16, 2011, Mr. New's annual salary was decreased to $112,000. Effective September 1, 2011, Mr. New's annual compensation was reduced to an annual salary of approximately $56,000 per year and no guaranteed bonus. Subsequently, effective November 16, 2011, Mr. New's annual base salary was reinstated to $112,000 per year, but with no guaranteed bonus. In connection with the 2011 compensation reductions, Net Element granted Mr. New options to purchase up to an aggregate of 278,084 shares of Net Element Common Stock with strike prices between $0.06 and $0.60 per share and a term of five years from the date of issuance.

Richard Lappenbusch joined Net Element as President and Chief Operating Officer on February 15, 2011. On June 6, 2012, Mr. Lappenbusch’s position with Net Element changed to Executive Vice President and Chief Strategy Officer. In connection with Mr. Lappenbusch’s appointment as President and Chief Operating Officer, the board of directors of Net Element authorized Net Element to pay him an annual salary of $300,000 and a bonus of $100,000 ($50,000 to be awarded on December 31, 2011 provided Mr. Lappenbusch was then employed with Net Element and $50,000 to be awarded at the discretion of the board of directors of Net Element). Additionally, Mr. Lappenbusch was granted 6,100,000 shares of restricted Net Element Common Stock with vesting as follows: 100,000 shares on February 15, 2012; 4,000,000 shares vesting semi-annually over a three-year period from the date of grant; and 2,000,000 shares upon Net Element achieving $20,000,000 in aggregate gross revenues (other than through acquisitions). All unvested shares of Net Element Common Stock are subject to repurchase by Net Element for an aggregate of $1.00 in the event of termination of employment in certain circumstances. Additionally, vesting will be accelerated upon the occurrence of an extraordinary transaction that results in a change in control of Net Element. In addition, Net Element paid Mr. Lappenbusch a signing bonus of $37,000 to cover relocation and housing expenses. Effective June 16, 2011, Net Element reduced Mr. Lappenbusch's annual salary to $240,000. Then, effective September 1, 2011, Net Element further reduced Mr. Lappenbusch's annual salary to $120,000. In connection with the 2011 compensation reductions, Net Element granted Mr. Lappenbusch options to purchase up to an aggregate of 434,943 shares of Net Element Common Stock with strike prices between $0.06 and $0.60 and a term of five years from the date of issuance. On June 6, 2012, Net Element entered into a new employment agreement with Mr. Lappenbusch, which provides (a) for an annual base salary of $200,000, (b) a guaranteed bonus of $50,000 contingent upon Mr. Lappenbusch not voluntarily resigning (other than for an involuntary termination as set forth in the agreement) before December 28, 2012, (c) eligibility for a performance-based bonus at the sole discretion of Net Element’s board of directors, (d) for the immediate cancellation of all incentive stock options previously awarded to Mr. Lappenbusch and (e) for the immediate cancellation of all unvested shares of restricted Net Element Common Stock that exceed 2,067,166 shares which were previously awarded to Mr. Lappenbusch. The June 6, 2012 employment agreement provides that Mr. Lappenbusch’s unvested shares of restricted Net Element Common Stock will vest in full upon the termination of such employment agreement on December 28, 2012 or his dismissal with or without cause, whichever happens first. After December 28, 2012 Mr. Lappenbusch’s employment will be at will. If, prior to December 28, 2012, Mr. Lappenbusch is terminated by Net Element without cause or due to death or disability or due to an involuntary termination, then he will be entitled to receive his remaining base salary through December 28, 2012, his guaranteed bonus and all of his unvested shares of Net Element Common Stock will vest immediately upon termination.

Outstanding Equity Awards at 2011 Fiscal Year-End

The following table summarizes the outstanding equity awards to the named executive officers of Net Element as of December 31, 2011.

Option Awards		Stock Awards		
	Equity incentive		Equity incentive plan awards:	Equity incentive plan awards: Market or

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested ($)	Number of unearned shares, units or other rights that have not vested (#)	payout value of unearned shares, units or other rights that have not vested ($)
Mike Zoi	-	-	-	$ -	-	-	-	-	-
Richard Lappenbusch	125,000	-	-	$ 0.06	07/29/2015	3,433,333	$ 2,060,000	-	-
	13,514	-	-	$ 0.37	08/29/2016				
	100,000	-	-	$ 0.15	09/28/2016				
	100,000	-	-	$ 0.15	10/29/2016				
	71,429	-	-	$ 0.21	11/28/2016				
	25,000	-	-	$ 0.60	12/29/2016				
Jonathan New	1,000,000	-	-	$ 0.16	08/12/2015	-	-	94,000	$ 5,640
	94,000	94,000	94,000	$ 0.10	03/28/2021				
	58,333	-	-	$ 0.06	07/29/2015				
	6,306	-	-	$ 0.37	08/29/2016				
	46,667	-	-	$ 0.15	09/28/2016				
	46,667	-	-	$ 0.15	10/29/2016				
	22,222	-	-	$ 0.21	11/28/2016				
	3,889	-	-	$ 0.60	12/29/2016				

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Director Compensation

Except as described below with respect to Felix Vulis, Net Element did not pay any compensation to members of its board of directors for their services as such during 2011 or 2010. In connection with the appointment of Felix Vulis as a director of Net Element, Net Element granted to Mr. Vulis 800,000 shares of restricted stock of Net Element, 400,000 shares of which will vest on each annual anniversary of his appointment as a director of Net Element. Pursuant to the Shareholder Rights Agreement described under "Shareholder Rights Agreement" above, Net Element agreed to reimburse its directors for all reasonable out-of-pocket expenses incurred in connection with their attendance at meetings of the board of directors of Net Element and any committees thereof, including, without limitation, travel, lodging and meal expenses.

2011 Director Compensation Table

The following table further summarizes the compensation paid to Net Element's directors for service as a director during 2011:

Director Name	Fees earned or paid in cash ($)	Stock awards ($)	Option awards ($)	Non-equity incentive plan compen-sation ($)	Non-qualified deferred compen-sation earnings ($)	All other compen-sation ($)	Total ($)
Mike Zoi	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Felix Vulis	$ -	$ 96,000	$ -	$ -	$ -	$ -	$ 96,000
Curtis Wolfe	$ -	$ -	$ -	$ -	$ -	$ -	$ -
James Caan	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dmitry Kozko	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The table below contains information regarding the beneficial ownership of Net Element Common Stock as of June 11, 2012 by (i) each person who is known to Net Element to beneficially own more than 5% of Net Element Common Stock; (ii) each of its directors; (iii) each of its executive officers and (iv) all of its directors and executive officers as a group. Except as otherwise noted below, each person or entity named in the following table has the sole voting and investment power with respect to all shares of Net Element Common Stock that he, she or it beneficially owns. The holders of Net Element Common Stock are entitled to one vote for each outstanding share on matters submitted to its shareholders. Except as otherwise noted below, the address of each person or entity named in the following table is c/o Net Element, Inc., 1450 South Miami Avenue, Miami, FL 33130.

Name and address of beneficial owner	Amount and nature of beneficial ownership (number of shares of common stock beneficially owned) (1)		Percent of class (1)	
Mike Zoi	702,417,232	(2)	69.3	%
Enerfund, LLC	627,411,478	(3)	61.9	%
TGR Capital, LLC	302,263,749	(4)	34.9	%
MZ Capital LLC (Delaware)	45,937,500	(5)	6.0	%
Kenges Rakishev	213,333,334	(6)	27.8	%
Mark Global Corporation	200,000,000	(7)	26.1	%
Felix Vulis	3,466,667	(8)		*
Curtis Wolfe	4,360,737	(9)		*
James Caan	5,568,421			*
Dmitry Kozko	25,254,631	(10)	3.3	%
Richard Lappenbusch	3,400,000			*
Jonathan New	2,836,842	(11)		*
Ivan Onuchin	904,370	(12)		*
All directors and executive officers as a group (9 persons)	961,542,234		94.0	%

* Less than 1%.

(1) Applicable percentage ownership is based on 766,308,586 shares of Net Element Common Stock outstanding as of June 11, 2012, together with securities exercisable or convertible into shares of Net Element Common Stock within 60 days of June 11, 2012 for each shareholder. Beneficial ownership is generally determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. The shares issuable pursuant to the exercise or conversion of such securities are deemed outstanding for the purpose of computing the percentage of ownership of the security holder, but are not treated as outstanding for the purpose of computing the percentage of ownership of any other person.

(2) Represents: (a) 5,754 shares of Net Element Common Stock held directly by Mr. Zoi; (b) (i) 177,875,000 shares of Net Element Common Stock, (ii) 100,000,000 shares of Net Element Common Stock issuable upon exercise of outstanding warrants, (iii) 32,727,274 shares of Net Element Common Stock issuable upon conversion of outstanding convertible promissory notes, and (iv) 14,545,455 shares of Net Element Common Stock issuable upon exercise of warrants that are issuable upon conversion of an outstanding convertible promissory note, each held by Enerfund, LLC; (c) (i) 202,263,749 shares of Net Element Common Stock, and (ii) 100,000,000 shares of Net Element Common Stock issuable upon exercise of outstanding warrants, each held by TGR Capital, LLC; (d) 45,937,500 shares of Net Element Common Stock held by MZ Capital LLC (Delaware); and (e) 29,062,500 shares of Net Element Common Stock held by MZ Capital LLC (Florida). Mike Zoi shares with each of Enerfund, LLC, TGR Capital, LLC, MZ Capital LLC (Delaware) and MZ Capital LLC (Florida) the power to vote or direct the vote, and to dispose or direct the disposition of, the respective shares of Net Element Common Stock beneficially owned by those entities. Mr. Zoi has the sole power to vote or direct the vote, and to dispose or direct the disposition of, the 5,754 shares of Net Element Common Stock held directly by him. In addition to such shares, (i) Mr. Zoi may be deemed to be part of a "group" with Mr. Kozko, and thereby deemed to beneficially own any shares of Net Element Common Stock that are beneficially owned by Dmitry Kozko, as a result of Mr. Zoi's and Mr. Kozko's agreement to vote their shares of Net Element Common Stock in favor of James Caan as a director of Net Element until December 14, 2013; and (ii) Mr. Zoi may be deemed to be part of a "group" with Mark Global Corporation, Kenges Rakishev, TGR Capital, LLC, MZ Capital LLC (Delaware), MZ Capital LLC (Florida) and Enerfund, LLC, and therefore deemed to beneficially own any shares of Net Element Common Stock that are beneficially owned by such parties, as a result of such parties and Net Element having entered into a Shareholder Rights Agreement dated February 24, 2012 (see "Information About Net Element — Shareholder Rights Agreement"). The number of shares of Net Element Common Stock reported as beneficially owned by Mike Zoi in the foregoing table does not include any shares of Net Element Common Stock beneficially owned by any of Dmitry Kozko, Mark Global Corporation or Kenges Rakishev.

(3) Represents: (a) (i) 177,875,000 shares of Net Element Common Stock, (ii) 100,000,000 shares of Net Element Common Stock issuable upon exercise of outstanding warrants, (iii) 32,727,274 shares of Net Element Common Stock issuable upon conversion of outstanding convertible promissory notes, and (iv) 14,545,455 shares of Net Element Common Stock issuable upon exercise of warrants that are issuable upon conversion of an outstanding convertible promissory note, each held directly by Enerfund, LLC; and (b) (i) 202,263,749 shares of Net Element Common Stock, and (ii) 100,000,000 shares of Net Element Common Stock issuable upon exercise of outstanding warrants, each held by TGR Capital, LLC. Enerfund, LLC is the sole member of TGR Capital, LLC. Mike Zoi shares with Enerfund, LLC the power to vote or direct the vote, and to dispose or direct the disposition of, all of the shares of Net Element Common Stock beneficially owned by Enerfund, LLC. In addition to such shares, Enerfund, LLC may be deemed to be part of a "group" with Mark Global Corporation, Kenges Rakishev, Mike Zoi, TGR Capital, LLC, MZ Capital LLC (Delaware) and MZ Capital LLC (Florida), and therefore deemed to beneficially own any shares of Net Element Common Stock that are beneficially owned by such parties, as a result of such parties and Net Element having entered into a Shareholder Rights Agreement dated February 24, 2012 (see "Information About Net Element — Shareholder Rights Agreement"). The number of shares of Net Element Common Stock reported as beneficially owned by Enerfund, LLC in the foregoing table does not include any shares of Net Element Common Stock beneficially owned by any of Mark Global Corporation, Kenges Rakishev, Mike Zoi (other than shares beneficially owned by Enerfund, LLC) , MZ Capital LLC (Delaware) or MZ Capital LLC (Florida).

(4) Represents: (a) 202,263,749 shares of Net Element Common Stock; and (b) 100,000,000 shares of Net Element Common Stock issuable upon exercise of outstanding warrants, each held directly by TGR Capital, LLC. Mike Zoi

and Enerfund, LLC share with TGR Capital, LLC the power to vote or direct the vote, and to dispose or direct the disposition of, all of the shares of Net Element Common Stock beneficially owned by TGR Capital, LLC. In addition to such shares, TGR Capital, LLC may be deemed to be part of a "group" with Mark Global Corporation, Kenges Rakishev, Mike Zoi, MZ Capital LLC (Delaware), MZ Capital LLC (Florida) and Enerfund, LLC, and therefore deemed to beneficially own any shares of Net Element Common Stock that are beneficially owned by such parties, as a result of such parties and Net Element having entered into a Shareholder Rights Agreement dated February 24, 2012 (see "Information About Net Element — Shareholder Rights Agreement"). The number of shares of Net Element Common Stock reported as beneficially owned by TGR Capital, LLC in the foregoing table does not include any shares of Net Element Common Stock beneficially owned by any of Mark Global Corporation, Kenges Rakishev, Mike Zoi (other than shares beneficially owned by TGR Capital, LLC), MZ Capital LLC (Delaware), MZ Capital LLC (Florida) or Enerfund, LLC.

(5) Mike Zoi shares with MZ Capital LLC (Delaware) the power to vote or direct the vote, and to dispose or direct the disposition of, all of the shares of Net Element Common Stock beneficially owned by MZ Capital LLC (Delaware). In addition to such shares, MZ Capital LLC (Delaware) may be deemed to be part of a "group" with Mark Global Corporation, Kenges Rakishev, Mike Zoi, TGR Capital, LLC, MZ Capital LLC (Delaware), MZ Capital LLC (Florida) and Enerfund, LLC, and therefore deemed to beneficially own any shares of Net Element Common Stock that are beneficially owned by such parties, as a result of such parties and Net Element having entered into a Shareholder Rights Agreement dated February 24, 2012 (see "Information About Net Element — Shareholder Rights Agreement"). The number of shares of Net Element Common Stock reported as beneficially owned by MZ Capital LLC (Delaware) in the foregoing table does not include any shares of Net Element Common Stock beneficially owned by any of Mark Global Corporation, Kenges Rakishev, Mike Zoi (other than shares beneficially owned by MZ Capital LLC (Delaware)), TGR Capital, LLC, MZ Capital LLC (Florida) or Enerfund, LLC.

(6) The business address of Mr. Rakishev is c/o SAT & Company, 241 Mukanova Street, Almaty 050008, Republic of Kazakhstan. Represents: (a) 13,333,334 shares of Net Element Common Stock held directly by Mr. Rakishev; and (b) 200,000,000 shares of Net Element Common Stock held by Mark Global Corporation. Each of Kenges Rakishev and Mark Global Corporation may be deemed to share the power to vote or direct the vote, and to dispose or direct the disposition of, the 200,000,000 shares of Net Element Common Stock held by Mark Global Corporation. Mr. Rakishev may be deemed to have the sole power to vote or direct the vote, and to dispose or direct the disposition of, the 13,333,334 shares of Net Element Common Stock held directly by him. In addition to such shares, Kenges Rakishev and Mark Global Corporation may be deemed to be part of a "group" with Mike Zoi, TGR Capital, LLC, MZ Capital LLC (Delaware), MZ Capital LLC (Florida) and Enerfund, LLC, and therefore deemed to beneficially own any shares of Net Element Common Stock that are beneficially owned by such parties, as a result of such parties and Net Element having entered into a Shareholder Rights Agreement dated February 24, 2012 (see "Information About Net Element — Shareholder Rights Agreement"). The number of shares of Net Element Common Stock reported as beneficially owned by Kenges Rakishev in the foregoing table does not include any shares of Net Element Common Stock beneficially owned by any of Mike Zoi, TGR Capital, LLC, MZ Capital LLC (Delaware), MZ Capital LLC (Florida) or Enerfund, LLC.

(7) The business address of Mark Global Corporation is c/o Trident Trust Company (BVI) Limited, Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands. Each of Kenges Rakishev and Mark Global Corporation may be deemed to share the power to vote or direct the vote, and to dispose or direct the disposition of, the 200,000,000 shares of Net Element Common Stock held by Mark Global Corporation. In addition to such shares, Kenges Rakishev and Mark Global Corporation may be deemed to be part of a "group" with Mike Zoi, TGR Capital, LLC, MZ Capital LLC (Delaware), MZ Capital LLC (Florida) and Enerfund, LLC, and therefore deemed to beneficially own any shares of Net Element Common Stock that are beneficially owned by such parties, as a result

of such parties and Net Element having entered into a Shareholder Rights Agreement dated February 24, 2012 (see "Information About Net Element — Shareholder Rights Agreement"). The number of shares of Net Element Common Stock reported as beneficially owned by Mark Global Corporation in the foregoing table does not include any shares of Net Element Common Stock beneficially owned by any of Kenges Rakishev (other than shares beneficially owned by Mark Global Corporation), Mike Zoi, TGR Capital, LLC, MZ Capital LLC (Delaware), MZ Capital LLC (Florida) or Enerfund, LLC.

(8) Represents: (a) 1,466,667 shares of Net Element Common Stock; and (b) 2,000,000 shares of Net Element Common Stock issuable upon exercise of outstanding warrants.

(9) Represents: (a) 1,000,100 shares of Net Element Common Stock; (b) 360,637 shares of Net Element Common Stock issuable upon exercise of outstanding options; and (c) 3,000,000 shares of Net Element Common Stock issuable upon exercise of Mr. Wolfe's right to convert his 30% interest in Net Element's subsidiary LegalGuru LLC into 3,000,000 shares of Net Element Common Stock.

(10) Represents: (a) 24,950,100 shares of Net Element Common Stock; and (b) 304,531 shares of Net Element Common Stock issuable upon exercise of outstanding options. In addition to such shares, Mr. Kozko may be deemed to be in a group with Mr. Zoi and Mr. Caan, and thereby deemed to beneficially own any shares of Net Element Common Stock that are beneficially owned by Mr. Zoi and Mr. Caan, as a result of Mr. Zoi's and Mr. Kozko's agreement with Mr. Caan to vote their shares of Net Element Common Stock in favor of Mr. Caan as a director of Net Element until December 14, 2003.

(11) Represents: (a) 475,100 shares of Net Element Common Stock; and (b) 2,361,742 shares of Net Element Common Stock issuable upon exercise of outstanding options.

(12) Represents: (a) 100 shares of Net Element Common Stock; and (b) 804,370 shares of Net Element Common Stock issuable upon exercise of outstanding options.

Change in Control

Please refer to the description of the Shareholders' Agreement in "Shareholder Rights Agreement" above, which is incorporated herein by reference.

Equity Compensation Plan Information

The following table shows information with respect to each equity compensation plan under which Net Element Common Stock is authorized for issuance as of the fiscal year ended December 31, 2011.

	Number of securities	Number of securities remaining available for future issuance under

Plan category	to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	5,487,874	$ 0.14	154,512,126
Equity compensation plans not approved by security holders	—	—	—
Total	5,487,874	$ 0.14	154,512,126

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Certain Relationships, Related Transactions and Director Independence

Certain Relationships and Related Transactions

For the nine months ended December 31, 2010, TGR Capital, LLC (a company that beneficially owns more than 5% of Net Element Common Stock and is indirectly wholly-owned by the Net Element's Chairman and Chief Executive Officer, Mike Zoi) was issued 101,088,150 shares of Net Element Common Stock and fully vested warrants to purchase 50,544,075 shares of Net Element Common Stock for $0.05 per share in exchange for funding of $2,021,763 provided under the terms of a Subscription Agreement. The shares and warrants purchasable pursuant to this $4,000,000 Subscription Agreement were fully subscribed at December 31, 2010.

On December 14, 2010, Net Element entered into a purchase agreement with the members of Openfilm, LLC. Mike Zoi, who beneficially owns more than 5% of Net Element Common Stock and is its Chairman and Chief Executive Officer, through his control of Enerfund, LLC (which also beneficially owns more than 5% of the Net Element Common Stock) and MZ Capital, LLC, both Florida limited liability companies, held approximately 70% of Openfilm's outstanding membership interests prior to the acquisition by Net Element. Pursuant to the Openfilm purchase agreement, Net Element acquired all of the outstanding membership interests in Openfilm by exchanging for such interests an aggregate of 107,238,421 shares of Net Element Common Stock to the security holders of Openfilm, of which 45,937,500 shares were issued to Enerfund, LLC, 29,062,500 shares were issued to MZ Capital LLC (Florida), 24,950,000 shares were issued to Dmitry Kozko, who is one of Net Element's directors, Executive Vice President of Business Development and Chief Executive Officer of Openfilm, and an aggregate of 7,288,421 shares were issued to the remaining seven non-controlling security holders of Openfilm. Up until the date of acquisition, Openfilm's operations were funded primarily by entities controlled by Mike Zoi.

On December 10, 2010, Openfilm, LLC entered into a loan agreement with Enerfund, LLC (a company wholly-owned by the Net Element's Chairman and Chief Executive Officer, Mike Zoi) in the principal amount of $1,667,020. The annual interest rate is 5% payable annually on December 31. The loan matures on December 10, 2012 with accrued and unpaid interest due at that time. The balance due under this loan at March 31, 2012 was $1,667,762.

On December 31, 2010, Net Element entered into a Subscription Agreement with Enerfund, LLC pursuant to which Net Element received an aggregate of $2,000,000 in exchange for the issuance of 200,000,000 shares of Net Element Common Stock and warrants to purchase 100,000,000 shares of Net Element Common Stock at an exercise price of $0.05 per share for a period of five years from the date of issuance. However, Net Element did not have a sufficient number of authorized shares of Net Element Common Stock to fully issue these securities to Enerfund at December 31, 2010. Accordingly, this transaction was accounted for as a purchase by Enerfund as of December 31, 2010 of 112,000,000 shares of Net Element Common Stock and fully vested warrants to purchase 56,000,000 shares of Net Element Common Stock for $0.05 per share in exchange for $1,120,000. The balance of the proceeds of $880,000 was accounted for as an advance until March 7, 2011, when Net Element issued the balance of the shares and warrants.

On February 1, 2011, Net Element purchased all of the equity interests in Motorsport, LLC from Enerfund, LLC. As consideration for that acquisition, Net Element paid to Enerfund $130,000 and agreed to take over responsibility for the obligations of Motorsport, LLC under a Stock Purchase Agreement dated December 17, 2010 pursuant to which Motorsport, LLC would acquire all of the equity interests in Motorsport.com, Inc. At the time of Net Element's acquisition of Motorsport, LLC, pursuant to the December 17, 2010 Stock Purchase Agreement, Motorsport, LLC had already acquired 80% of the outstanding common stock of Motorsport.com, Inc., although Motorsport, LLC remained obligated under the Stock Purchase Agreement to pay an aggregate of $450,000 to the sellers in four quarterly installments beginning on December 1, 2013. Pursuant to an amendment to the Stock Purchase Agreement dated January 10, 2012, that payment obligation was amended to provide that: (i) Motorsport, LLC must pay to the sellers $300,000 in cash in four equal annual installments of $75,000 each beginning on January 10, 2012, with each subsequent installment payable on each annual anniversary thereafter until such $300,000 is paid in full; and (ii) Net Element must issue to the sellers an aggregate of 1,333,333 shares of Net Element Common Stock. The initial $75,000 installment was paid by Net Element and Net Element issued such 1,333,333 shares of Net Element Common Stock to the sellers. The sellers have a security interest in the Internet domain names of Motorsport.com, Inc. as collateral for Net Element's and Motorsport's remaining payment obligations.

The December 17, 2010 Stock Purchase Agreement provided Motorsport, LLC an option until December 16, 2018 to purchase the remaining 20% of the outstanding common stock of Motorsport.com, Inc. for a price per share of between $0.1075 and $0.1435 (or an aggregate of between $400,330 and $534,394) depending upon when the option was exercised, payable in either cash or shares of preferred stock of Motorsport.com, Inc. having an equivalent value. If the option were exercised before December 17, 2015, then the purchase price for the remaining 20% interests would have been $0.1075 per share, or an aggregate of $400,330. Pursuant to the January 10, 2012 amendment to the Stock Purchase Agreement, Motorsport, LLC exercised its option to acquire the remaining 20% interests for a purchase price consisting solely of the Net Element's issuance to the sellers of an aggregate of 3,333,333 shares of Net Element Common Stock.

On January 31, 2011, Motorsport, LLC entered into a loan agreement with Enerfund, LLC in the principal amount of $184,592. The annual interest rate was 5% payable annually on December 31. The loan was scheduled to mature on the third anniversary of each funding under the loan agreement, which fundings occurred from October 2010 through January 2011, with accrued interest due at that time. This loan was repaid in full on February 24, 2011 for an aggregate of $186,808.

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Also on February 1, 2011, Net Element purchased all of the equity interests in Music1, LLC from Enerfund for an aggregate purchase price of $15,000. Music1, LLC owns 97% of the membership interests in A&R Music Live, LLC. Music1, LLC purchased its interest in A&R Music Live, LLC from Stephen Strother, the Founder and President of Music1, on November 8, 2010. The remaining 3% of the membership interests in A&R Music Live, LLC is owned by Stephen Strother. Net Element was required to invest at least $500,000 in Music1 by December 31, 2012, which requirement was met during the fourth quarter of 2011. Additionally, Mr. Strother has granted a royalty free license to Music1, LLC to use certain technology owned by him for the term of his employment agreement. For more information, see "License Agreement with Stephen Strother" above.

On January 31, 2011, Music1, LLC entered into a loan agreement with Enerfund, LLC in the principal amount of $128,890. The annual interest rate was 5% payable annually on December 31. The loan was scheduled to mature on the third anniversary of each funding under the loan agreement, which fundings occurred from October 2010 through January 2011, with accrued and unpaid interest due at that time. This loan was repaid in full on February 24, 2011 for an aggregate of $131,827.

During February 2011, Enerfund, LLC agreed to transfer 1,000,000 of Net Element's common shares held by Enerfund to a consultant in consideration for services performed on Net Element's behalf. Net Element recorded a compensation charge in the amount of the value of the services ($10,000) during the quarter ended March 31, 2011.

On March 17, 2011, Net Element formed a wholly-owned subsidiary, Splinex, LLC, a Florida limited liability company. Splinex, LLC is intended to develop 3D technology for use in Net Element's products and services and certain other licensed applications. As of April 12, 2011, an aggregate 15% ownership interest in Splinex, LLC was issued to certain of Net Element's employees and consultants.

On April 24, 2012, Net Element entered into an amended and restated joint venture agreement, dated as of December 31, 2011, with Curtis Wolfe regarding Net Element's subsidiary LegalGuru LLC, a Florida limited liability company. The amended agreement amends and restates the joint venture agreement entered into between Net Element and Mr. Wolfe effective as of March 29, 2011. Net Element owns a 70% interest in LegalGuru LLC and Mr. Wolfe, who is a director and Secretary of Net Element and Chief Executive Officer and Chairman of LegalGuru LLC, through Lobos Advisors, LLC (a company of which Mr. Wolfe is the President and managing member), owns a 30% interest in LegalGuru LLC. The amended agreement requires Net Element and Mr. Wolfe to invest up to an aggregate of $900,000 in LegalGuru LLC, with Mr. Wolfe investing up to an aggregate of $100,000 and Net Element investing up to an aggregate of $800,000. The original agreement required Net Element and Mr. Wolfe to invest up to an aggregate of $1,000,000 in LegalGuru LLC, with Mr. Wolfe investing up to an aggregate of $200,000 and Net Element investing up to an aggregate of $800,000. In connection with the $100,000 reduction in the amount required to be invested in LegalGuru LLC by Mr. Wolfe, Mr. Wolfe agreed to maintain his current salary of $10,000 per month, with $8,000 of such amount paid in cash and $2,000 paid in stock options of Net Element, until LegalGuru LLC generates at least $500,000 in revenue. As of March 31, 2012, Mr. Wolfe had invested $71,279 in LegalGuru LLC and Net Element had invested $830,983 in LegalGuru LLC. Net Element agreed that Mr. Wolfe would be entitled to serve on Net Element's Board of Directors for so long as Net Element holds a majority interest in LegalGuru LLC. Mr.

Wolfe has the right, for 36 months from March 29, 2011, to convert his interest in LegalGuru LLC into 3 million shares of Net Element Common Stock.

In addition, on April 24, 2012, Net Element entered into the Limited Liability Company Operating Agreement of LegalGuru LLC, dated effective as of March 31, 2011, with Lobos Advisors, LLC, a company of which Curtis Wolfe is the President and managing member, and LegalGuru LLC. As described above, Net Element owns a 70% interest in LegalGuru LLC and Lobos Advisors, LLC owns a 30% interest in LegalGuru LLC. The agreement provides that distributions to the members of LegalGuru LLC are to be made in accordance with their respective percentage ownership interests. The agreement provides that Mr. Wolfe shall have the right to be appointed as a director of LegalGuru LLC and to appoint one other director of LegalGuru LLC, and that Net Element shall have the right to appoint one director of LegalGuru LLC. The agreement grants each member of LegalGuru LLC rights of first refusal and tag along and drag along rights with respect to a member's proposed sale of its membership interest in LegalGuru LLC.

On May 16, 2011 Net Element entered into a three-year, unsecured convertible promissory note and loan agreement with Enerfund, LLC in the principal amount of $2,000,000. The annual interest rate is 5.0% and principal and interest is due on or before April 27, 2014. The loan may be pre-paid at any time without penalty. Outstanding principal may be converted by Enerfund at any time into shares of Net Element Common Stock at a conversion price of $0.11 per share. Enerfund has funded the full amount of this note and the balance at March 31, 2012 was $2,000,000.

On August 9, 2011, Net Element entered into a Stock Purchase Agreement pursuant to which it was to acquire 100% of the outstanding equity interests in Stratuscore, Inc., a State of Washington corporation, from its selling shareholder, Denise Muyco (who is the spouse of Net Element's Executive Vice President and Chief Strategy Officer, Richard Lappenbusch), in exchange for the issuance of 10 million shares of Net Element Common Stock. Stratuscore is in the business of providing a technical software and operation SaaS (Software as a Service) application service to clients/customers that require significant compute processing. Net Element intended to lower cost for its customers by providing efficient and secure network and content security when using this service. On November 10, 2011, Net Element and the selling shareholder mutually agreed to terminate and unwind that transaction. The 10 million shares of Net Element Common Stock issuable pursuant to that transaction were not delivered to the selling shareholder. Amounts advanced and costs incurred by Net Element through March 31, 2012 ($201,557), are reflected as advances in Net Element's consolidated balance sheets. As consideration for amounts advanced to Stratuscore, Stratuscore agreed to issue Net Element a convertible promissory note convertible into equity in Stratuscore at the same rate as Ms. Muyco agrees to accept investment from a bona fide third party in the next investment round or lender terms. In the event that there is no further investment in Stratuscore, then the amount invested in Stratuscore by Net Element would be based on Net Element's original valuation of Stratuscore.

On October 24, 2011, Net Element entered into a three-year, unsecured convertible promissory note and loan agreement with Enerfund, LLC in the principal amount of $1.6 million. The annual interest rate under the note is 5% and principal and interest is due on or before October 24, 2014. The note may be pre-paid at any time without penalty. Outstanding principal under the note may be converted by Enerfund, LLC at any time into shares of Net Element Common Stock at a conversion price of $0.11 per share. Upon conversion of the note, Net Element is required to issue to Enerfund, LLC a five-year warrant to purchase a number of shares of Net Element Common Stock equal to the number of shares issued upon such conversion with an exercise price of $0.11 per share. The balance of this loan was $1,600,000 at March 31, 2012.

On February 2, 2012, Net Element entered into a Subscription Agreement with one of its directors, Felix Vulis, pursuant to which Mr. Vulis purchased from Net Element for $100,000: (i) 666,667 shares of Net Element Common Stock; (ii) a three-year warrant to purchase up to an additional 666,667 shares of Net Element Common Stock with an exercise price of $0.25 per share; (iii) a three-year warrant to purchase up to an additional 666,667 shares of Net Element Common Stock with an exercise price of $0.50 per share; and (iv) a three-year warrant to purchase up to an additional 666,666 shares of Net Element Common Stock with an exercise price of $1.00 per share.

On February 23, 2012, Net Element entered into a Subscription Agreement pursuant to which it sold 13,333,334 newly issued shares of Net Element Common Stock to Kenges Rakishev for an aggregate purchase price of $2,000,000.15, or $0.15 per share. Mr. Rakishev was appointed as a director of Net Element on April 23, 2012.

On February 24, 2012, Net Element entered into a Shareholder Rights Agreement (the Shareholder Rights Agreement) with Mark Global Corporation, Kenges Rakishev, Mike Zoi, TGR Capital, LLC, MZ Capital, LLC (Delaware), MZ Capital, LLC (Florida) and Enerfund, LLC (collectively, the Shareholders). The companies TGR Capital, LLC, MZ Capital, LLC (Delaware), MZ Capital, LLC (Florida) and Enerfund, LLC are directly or indirectly owned and controlled by Mike Zoi. As further described under “Shareholder Rights Agreement” in “Shareholder Rights Agreement” above, pursuant to the Shareholder Rights Agreement, the Shareholders agreed to certain corporate governance matters pertaining to Net Element and Net Element granted registration rights to each of Mark Global Corporation, Kenges Rakishev, TGR Capital, LLC, Mike Zoi and certain of their assignees.

On May 14, 2012, Net Element entered into a $500,000 principal amount Promissory Note and Loan Agreement with Enerfund, LLC. The loan matures on November 1, 2012 and has an annual interest rate of 5%. The loan may be pre-paid at any time without penalty.

Director Independence

Net Element’s entire board of directors currently performs the functions of a nominating committee, compensation committee and audit committee. Net Element’s Board of Directors currently includes two independent directors, Felix Vulis and James Caan, as defined in Rule 5605(a)(2) of the Marketplace Rules of The NASDAQ Stock Market. None of its other directors are independent directors as defined in such Rules.

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THE SPECIAL MEETING OF Cazador SHAREHOLDERS

Date, Time and Place of the Cazador Special Meeting

The special meeting of Cazador shareholders, or the Cazador special meeting, is scheduled to be held at on , 2012, at a.m., Eastern time.

Purpose of the Cazador Special Meeting

At the Cazador special meeting, Cazador shareholders will be asked to:

- consider and act on the Cazador merger proposal;
- consider and act on the Cazador domestication proposal;
- consider and act on a proposal to approve the adjournment of the Cazador special meeting, if necessary, to permit the further solicitation of proxies because there are not sufficient votes at the Cazador special meeting to vote in favor of the approval and adoption of the merger agreement; and
- transact any other business that may properly come before the Cazador special meeting or any reconvened meeting following an adjournment or postponement of the Cazador special meeting.

Record Date; Outstanding Shares Entitled to Vote

The Cazador board has fixed , 2012, as the record date for the Cazador special meeting. If you were a holder of record of Cazador Ordinary Shares at the close of business on the record date, you are entitled to vote your Cazador Ordinary Shares held on the record date at the Cazador special meeting.

As of the record date, there were Cazador Ordinary Shares outstanding and entitled to vote at the Cazador special meeting, of which were Public Cazador Ordinary Shares.

Ownership of Cazador Ordinary Shares

If your Cazador Ordinary Shares are registered directly in your name with Cazador's transfer agent, Continental Stock Transfer & Trust Company, you are considered, with respect to those Cazador Ordinary Shares, the "shareholder of record." This joint proxy statement/prospectus and the enclosed proxy card have been sent directly to you by Cazador.

If your Cazador Ordinary Shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of Cazador Ordinary Shares held in "street name." This joint proxy statement/prospectus has been forwarded to you by your broker, bank or nominee who is considered, with respect to those Cazador Ordinary Shares, the shareholder of record. As the beneficial owner of Cazador Ordinary Shares held in street name, you have the right to direct your broker, bank or nominee how to vote your Cazador Ordinary Shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or the Internet.

Quorum

In order to transact business at the Cazador special meeting, a quorum of Cazador shareholders must be present. A quorum will exist if holders of a majority of the outstanding Cazador Ordinary Shares entitled to vote on a matter are present in person, or represented by proxy, at the Cazador special meeting. Accordingly, the presence at the Cazador special meeting, either in person or by proxy, of holders of at least Cazador Ordinary Shares will be required to establish a quorum.

Holders of Cazador Ordinary Shares present in person at the Cazador special meeting but not voting, and Cazador Ordinary Shares for which Cazador has received proxies indicating that their holders have abstained, will be counted as present at the Cazador special meeting for purposes of determining whether a quorum is established.

Vote Required

Under Cayman Islands law, the DGCL and the Cazador Cayman Charter, (1) the affirmative vote of the holders of at least a majority of the outstanding Public Cazador Ordinary Shares is required to approve and adopt the merger agreement and (2) the affirmative vote of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at the Cazador special meeting is required to approve the Cazador domestication.

The affirmative vote of the holders of at least a majority of the outstanding Cazador Ordinary Shares who are present at the meeting, in person or by proxy, and entitled to vote on the applicable matter is required to approve:

· an adjournment, if any, of the Cazador special meeting; and

· such other business that may properly come before the Cazador special meeting.

Because the Cazador merger proposal requires the affirmative vote of a majority of the outstanding Cazador Ordinary Shares as of the record date, if you mark “abstain” or fail to vote on that proposal, it will have the same effect as a vote “AGAINST” the Cazador merger proposal. If you mark “abstain” with respect to the adjournment, it will have the same effect as a vote “AGAINST” that proposal. If you fail to vote in person or by proxy with respect to any Cazador Ordinary Shares for which you are the record owner or fail to instruct your broker or other nominee on how to vote the Cazador Ordinary Shares you hold in street name with respect to the adjournment proposal, your Cazador Ordinary Shares will not be voted, or treated as present at the Cazador special meeting and entitled to vote, on that proposal, and as such, your failure to vote or to instruct your broker or nominee how to vote will not have the effect of a “FOR” or

"AGAINST" vote with respect to that proposal.

Recommendation of the Cazador Board

Proposal No. 1: The Cazador board unanimously determined that the merger agreement and consummation of the transactions contemplated thereunder are advisable, fair and in the best interests of Cazador and its shareholders and unanimously approved the merger agreement. The Cazador board recommends that the shareholders of Cazador vote "FOR" the Cazador merger proposal. Additional information on the recommendation of the Cazador board is set forth in "The Business Combination — Recommendation of the Cazador Board; Cazador's Reasons for the Business Combination" beginning on page 172.

Proposal No. 2: The Cazador board unanimously determined that the Cazador domestication is in the best interests of Cazador and its shareholders and unanimously approved the Cazador domestication. The Cazador board recommends that the shareholders of Cazador vote "FOR" the Cazador domestication proposal. Additional information on the recommendation of the Cazador board is set forth in "The Business Combination — Recommendation of the Cazador Board; Cazador's Reasons for the Business Combination" beginning on page 172.

Cazador shareholders should carefully read this joint proxy statement/prospectus in its entirety for additional information concerning the merger agreement and the business combination. In addition, Cazador shareholders are directed to the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference as an exhibit to the registration statement of which this joint proxy statement/prospectus is a part.

Proposal No. 3: The Cazador board unanimously recommends that the shareholders of Cazador vote "FOR" the adjournment of the Cazador special meeting, if necessary, to permit further solicitation of proxies because there are not sufficient votes to approve and adopt the merger agreement and/or approve the Cazador domestication.

Voting by Cazador's Directors, Executive Officers and Sponsor

Cazador's Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the business combination.

How to Vote

After reading and carefully considering the information contained in this joint proxy statement/prospectus, please vote promptly. In order to ensure your vote is recorded, please submit your proxy or voting instructions as instructed below as soon as possible, even if you plan to attend the Cazador special meeting.

Internet

You can vote over the Internet by following the instructions included with your proxy card. If you vote over the Internet, do not return your proxy card. The availability of Internet voting for beneficial owners holding Cazador Ordinary Shares in street name will depend on the voting process of your broker, bank or nominee. Please follow the voting instructions in the materials you receive from your broker, bank or nominee.

Telephone

You can vote by telephone by following the instructions included with your proxy card. You will then be prompted to enter the control number printed on your proxy card and to follow subsequent instructions. Telephone voting is available 24 hours a day. If you vote by telephone, do not return your proxy card. The availability of telephone voting for beneficial owners holding Cazador Ordinary Shares in street name will depend on the voting process of your broker, bank or nominee. Please follow the voting instructions in the materials you receive from your broker, bank or nominee.

Mail

You can vote by mail by simply completing, signing, dating and mailing your proxy card or voting instruction card in the postage-paid envelope included with this joint proxy statement/prospectus. In addition, all shareholders may vote in person at the special meeting. You may also be represented by another person at the meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares held in street name, you must obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the meeting.

Attending the Cazador Special Meeting

All Cazador shareholders as of the record date may attend the Cazador special meeting. If you are a beneficial owner of Cazador Ordinary Shares held in street name, you may request to attend the meeting by writing to Cazador Acquisition, Inc., BBVA Building, P1, 254 Muñoz Rivera Avenue, San Juan, Puerto Rico, Attention: Jorge De Jesus, or by faxing your request to (787) 754-7532. You must provide evidence of your ownership of Cazador Ordinary Shares, which you can obtain from your broker, banker or nominee.

Voting of Proxies

If you vote by Internet, telephone or by completing, signing, dating and mailing your proxy card or voting instruction card, your Cazador Ordinary Shares will be voted in accordance with your instructions. If you are a shareholder of record and you sign, date and return your proxy card but do not indicate how you want to vote and do not indicate that you wish to abstain, your Cazador Ordinary Shares will be voted “FOR” the approval and adoption of the merger agreement, “FOR” the approval of the Cazador domestication and “FOR” the approval of the adjournment proposal.

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Voting of Cazador Ordinary Shares Held in Street Name

Cazador shareholders who hold Cazador Ordinary Shares in a stock brokerage account or through a bank, broker or other nominee (referred to in this joint proxy statement/prospectus as “street name” shareholders) who wish to vote at the Cazador special meeting should be provided a voting instruction card by the institution that holds their Cazador Ordinary Shares. If this has not occurred, contact the institution that holds your Cazador Ordinary Shares. A number of banks and brokerage firms participate in a program that also permits shareholders whose Cazador Ordinary Shares are held in “street name” to direct their vote by telephone or over the Internet. If your Cazador Ordinary Shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these Cazador Ordinary Shares by telephone or over the Internet by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. The Internet and telephone proxy procedures are designed to authenticate shareholders’ identities, to allow shareholders to give their proxy voting instructions and to confirm that those instructions have been properly recorded. Votes directed by telephone or over the Internet through such a program must be received by 11:59 p.m. Eastern time on , 2012. Directing the voting of your Cazador Ordinary Shares will not affect your right to vote in person if you decide to attend the Cazador special meeting; however, you must first obtain a signed and properly executed legal proxy from your bank, broker or other nominee to vote your Cazador Ordinary Shares held in “street name” at the Cazador special meeting. Requesting a legal proxy from your bank, broker or other nominee prior to the deadline described above will automatically cancel any voting directions you have previously given by telephone or over the Internet with respect to your Cazador Ordinary Shares held in street name.

Revoking your Proxy

If you are a shareholder of record you can revoke your vote at any time before your proxy is voted at the Cazador special meeting. You can do this in one of three ways:

- you can send a signed notice of revocation to the Corporate Secretary of Cazador;
- you can submit a revised proxy bearing a later date by Internet, telephone or mail as described above; or
- you can attend the Cazador special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, though your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy no later than the beginning of the Cazador special meeting. If you are a beneficial owner of Cazador Ordinary Shares held in street name, you may submit new voting instructions by contacting your broker, bank or nominee. You may also vote in person at the Cazador special meeting if you obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the meeting.

Proxy Solicitations

Cazador is soliciting proxies for the Cazador special meeting from Cazador shareholders. Cazador will bear the cost of soliciting proxies from Cazador shareholders, except that Cazador and Net Element have each agreed to share equally the costs incurred in connection with the printing and mailing of this joint proxy statement/prospectus. In addition to this mailing, Cazador's directors, officers and employees (who will not receive any additional compensation for such services) may solicit proxies by telephone or in-person meeting.

Cazador has also engaged the services of , or , to assist in the distribution of the proxies. Cazador estimates that it will pay a fee of approximately $ plus reasonable out-of-pocket expenses.

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Cazador will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials the beneficial owners of Cazador Ordinary Shares.

Other Business

The Cazador board is not aware of any other business to be acted upon at the Cazador special meeting.

Adjournments

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. One or more adjournments may be made from time to time with the approval of a majority of the votes present in person at the Cazador special meeting at which a quorum is present or represented by proxy at the time of the vote. If a quorum is not present within half an hour from the time appointed for the Cazador special meeting or if during such meeting a quorum ceases to be present, such meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day, time and place as the Cazador directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting to commence, the shareholders present shall constitute a quorum.

At any adjourned meeting, Cazador may transact any business that it might have transacted at the original meeting, provided that a quorum is present at such adjourned meeting. Proxies submitted by Cazador shareholders for use at the Cazador special meeting will be used at one or more adjournments of the meeting. References to the Cazador special meeting in this joint proxy statement/prospectus are to the Cazador special meeting as adjourned. If the Cazador special meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of the original meeting.

CAZADOR PROPOSAL NO. 1 — APPROVAL AND ADOPTION

OF THE MERGER AGREEMENT

As discussed in this joint proxy statement/prospectus, Cazador is asking its shareholders to approve and adopt the merger agreement. Cazador shareholders should read carefully this joint proxy statement/prospectus in its entirety for more detailed information concerning the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference as an exhibit to the registration statement of which this joint proxy statement/prospectus is a part. Please see the section entitled "The Merger Agreement — Description of the Merger Agreement" beginning on page 197 for additional information and a summary of certain terms of the merger agreement. You are urged to read carefully the entire merger agreement before voting on this proposal.

Approval of this proposal is a condition to the completion of the business combination. If the proposal is not approved, the business combination will not occur.

Vote Required for Approval

The merger agreement will be approved and adopted if the holders of at least a majority of the outstanding Public Cazador Ordinary Shares vote "FOR" this proposal.

The Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the Cazador merger proposal.

Recommendation of the Cazador Board

THE CAZADOR BOARD UNANIMOUSLY RECOMMENDS THAT THE CAZADOR SHAREHOLDERS VOTE "FOR" THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT.

CAZADOR PROPOSAL NO. 2 — APPROVAL OF THE CAZADOR DOMESTICATION

As discussed in this joint proxy statement/prospectus, Cazador is asking its shareholders to approve the Cazador domestication, which is required under the terms of the merger agreement.

The full text of the resolution to be passed is as follows:

(i) that the Company be de-registered in the Cayman Islands pursuant to Article 46 of the Articles of Association of the Company and be registered by way of continuation as a Delaware corporation in Delaware;

(ii) that it be recommended to the directors of the Company that, conditional upon, and with effect from, the registration of the Company as a Delaware corporation in Delaware, the registered office of the Company be changed to ;

(iii) that conditional upon, and with effect from, the registration of the Company in Delaware as a Delaware corporation, the name of the Company be changed to “Net Element International, Inc.” and the Memorandum and Articles of Association of the Company be amended so as to be replaced in their entirety in the form attached with the amended and restated Certificate of incorporation and bylaws, (the forms of which are attached to this joint proxy statement/prospectus as Appendices C and D, respectively);

(iv) that the director be instructed to undertake all necessary steps in order to continue the legal existence of the Company in Delaware; and

(v) that Maples Corporate Services Limited be instructed to file notice of the foregoing resolution with the Registrar of Companies in the Cayman Islands.

Cazador shareholders should read carefully this joint proxy statement/prospectus in its entirety for more detailed information concerning the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference as an exhibit to the registration statement of which this joint proxy statement/prospectus is a part. Please see the section entitled “The Merger Agreement — Description of the Merger Agreement” beginning on page 197 for additional information and a summary of certain terms of the merger agreement. You are urged to read carefully the entire merger agreement before voting on this proposal.

Approval of this proposal is a condition to the completion of the merger. If the proposal is not approved, the merger will not occur.

Vote Required for Approval

The Cazador domestication will be approved by special resolution of the holders of at least two-thirds of the outstanding Cazador Ordinary Shares who attend and vote at the Cazador special meeting “FOR” this proposal.

Cazador’s Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the Cazador domestication proposal.

Recommendation of the Cazador Board

THE CAZADOR BOARD UNANIMOUSLY RECOMMENDS THAT THE CAZADOR SHAREHOLDERS VOTE “FOR” THE APPROVAL of the Cazador domestication.

CAZADOR PROPOSAL NO. 3 — ADJOURNMENT OF SPECIAL MEETING

Cazador is requesting the Cazador shareholders' approval on a proposal to adjourn the Cazador special meeting, if necessary, to permit further solicitation of proxies because there are not sufficient votes to approve and adopt the merger agreement and/or approve the Cazador domestication.

Vote Required for Approval

The vote to adjourn the Cazador special meeting, if necessary, to permit the further solicitation of proxies because there are not sufficient votes to approve and adopt the merger agreement and/or approve the Cazador domestication, will be approved if the holders of at least a majority of the outstanding Cazador Ordinary Shares who are present at the meeting, in person or by proxy, and entitled to vote on this proposal vote "FOR" this proposal.

Recommendation of the Cazador Board

THE CAZADOR BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY, TO PERMIT FURTHER SOLICITATION OF PROXIES BECAUSE THERE ARE NOT SUFFICIENT VOTES TO APPROVE AND ADOPT THE merger agreement and/or APPROVE the Cazador domestication.

THE SPECIAL MEETING OF NET ELEMENT SHAREHOLDERS

Date, Time and Place of the Net Element Special Meeting

The special meeting of Net Element shareholders, or the Net Element special meeting, is scheduled to be held at , Eastern time, on , 2012, at .

Purpose of the Net Element Special Meeting

At the Net Element special meeting, Net Element shareholders will be asked to:

- consider and act on the Net Element merger proposal;
- consider and act on a proposal to adjourn the Net Element special meeting; and
- transact any other business that may properly come before the Net Element special meeting or any reconvened meeting following an adjournment or postponement of the Net Element special meeting.

Record Date; Outstanding Shares Entitled to Vote

The Net Element board has fixed , 2012, as the record date for the Net Element special meeting. If you were a Net Element shareholder at the close of business on the record date, you are entitled to vote your shares of Net Element Common Stock held on the record date at the Net Element special meeting.

As of the record date, there were shares of Net Element Common Stock outstanding and entitled to vote at the Net Element special meeting.

Ownership of Net Element Common Stock

If your shares of Net Element Common Stock are registered directly in your name with Net Element's transfer agent, Island Stock Transfer, you are considered, with respect to those shares of Net Element Common Stock, the "shareholder of record." This joint proxy statement/prospectus and the enclosed proxy card have been sent directly to you by Net Element.

If your shares of Net Element Common Stock are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares of Net Element Common Stock held in "street name." This joint proxy statement/prospectus has been forwarded to you by your broker, bank or nominee who is considered, with respect to those shares of Net Element Common Stock, the shareholder of record. As the beneficial owner of shares of Net Element Common Stock held in street name, you have the right to direct your broker, bank or nominee how to vote your shares of Net Element Common Stock by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or the Internet.

Quorum

In order to transact business at the Net Element special meeting, a quorum of Net Element shareholders must be present. A quorum will exist if holders of a majority of the outstanding shares of Net Element Common Stock entitled to vote on a matter are present in person, or represented by proxy, at the Net Element special meeting. Accordingly, the presence at the Net Element special meeting, either in person or by proxy, of holders of at least shares of Net Element Common Stock will be required to establish a quorum. If a quorum is not present, the Net Element special meeting may be adjourned, pending shareholder approval, to a later date.

Holders of shares of Net Element Common Stock present in person at the Net Element special meeting but not voting, and shares of Net Element Common Stock for which Net Element has received proxies indicating that their holders have abstained, will be counted as present at the Net Element special meeting for purposes of determining whether a quorum is established.

Vote Required

Under the DGCL, the affirmative vote of the holders of at least a majority of the shares of Net Element Common Stock outstanding and entitled to vote is required to approve and adopt the merger agreement.

The affirmative vote of the holders of at least a majority of the outstanding shares of Net Element Common Stock who are present at the meeting, in person or by proxy, and entitled to vote on the applicable matter is required to approve:

- an adjournment, if any, of the Net Element special meeting; and
- such other business that may properly come before the Net Element special meeting.

Because approval and adoption of the merger agreement requires the affirmative vote of the majority of the outstanding shares of Net Element Common Stock as of the record date, if you mark “abstain” or fail to vote on the Net Element merger proposal, it will have the same effect as a vote “AGAINST” the approval and adoption of the merger agreement. If you mark “abstain” with respect to the adjournment, it will have the same effect as a vote “AGAINST” that proposal. If you fail to vote in person or by proxy with respect to any shares of Net Element Common Stock for which you are the record owner or fail to instruct your broker or other nominee on how to vote the shares of Net Element Common Stock you hold in street name with respect to the adjournment proposal, your shares of Net Element Common Stock will not be voted, or treated as present at the Net Element special meeting and entitled to vote, on that proposal, and as such, your failure to vote or to instruct your broker or nominee how to vote will not have the effect of a “FOR” or “AGAINST” vote with respect to that proposal.

Recommendation of the Net Element Board

Proposal No. 1: The Net Element board unanimously determined that the merger agreement and consummation of the transactions contemplated thereby are advisable, fair to and in the best interests of Net Element and its shareholders and approved the merger agreement. The Net Element board recommends that the shareholders of Net Element vote "FOR" the Net Element merger proposal. Additional information on the recommendation of the Net Element board is set forth in "The Business Combination — Recommendation of the Net Element Board; Net Element's Reasons for the Business Combination" beginning on page 178.

Net Element shareholders should carefully read this joint proxy statement/prospectus in its entirety for additional information concerning the merger agreement and the business combination. In addition, Net Element shareholders are directed to the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference as an exhibit to the registration statement of which this joint proxy statement/prospectus is a part.

Proposal No. 2: The Net Element board unanimously recommends that the shareholders of Net Element vote "FOR" the adjournment of the Net Element special meeting, if necessary, to permit further solicitation of proxies because there are not sufficient votes to approve and adopt the merger agreement.

Voting by Net Element's Directors and Officers

Mike Zoi, Net Element's Chairman and Chief Executive Officer, owns, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of June 11, 2012 (67.2% assuming the exercise of options and warrants Mr. Zoi owns which are currently exercisable), and therefore holds enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder. Mr. Zoi intends to vote his shares "FOR" the approval and adoption of the merger agreement.

How to Vote

After reading and carefully considering the information contained in this joint proxy statement/prospectus, please vote promptly. In order to ensure your vote is recorded, please submit your proxy or voting instructions as instructed below as soon as possible, even if you plan to attend the Net Element special meeting.

Internet.

You can vote over the Internet by following the instructions included with your proxy card. If you vote over the Internet, do not return your proxy card. The availability of Internet voting for beneficial owners holding shares of Net Element Common Stock in street name will depend on the voting process of your broker, bank or nominee. Please follow the voting instructions in the materials you receive from your broker, bank or nominee.

Telephone.

You can vote by telephone by following the instructions included with your proxy card. You will then be prompted to enter the control number printed on your proxy card and to follow subsequent instructions. Telephone voting is available 24 hours a day. If you vote by telephone, do not return your proxy card. The availability of telephone voting for beneficial owners holding shares of Net Element Common Stock in street name will depend on the voting process of your broker, bank or nominee. Please follow the voting instructions in the materials you receive from your broker, bank or nominee.

Mail.

You can vote by mail by simply completing, signing, dating and mailing your proxy card or voting instruction card in the postage-paid envelope included with this joint proxy statement/prospectus. In addition, all shareholders may vote in person at the special meeting. You may also be represented by another person at the meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares held in street name, you must obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the meeting.

Attending the Net Element Special Meeting

All Net Element shareholders as of the record date may attend the Net Element special meeting. If you are a beneficial owner of shares of Net Element Common Stock held in street name, you may request to attend the meeting by writing to Net Element, Inc., 1450 S. Miami Avenue, Miami, Florida 33130, Attention: Jonathan New, or by faxing your request to (305) 358-7876. You must provide evidence of your ownership of shares of Net Element Common Stock, which you can obtain from your broker, banker or nominee.

Voting of Proxies

If you vote by Internet, telephone or by completing, signing, dating and mailing your proxy card or voting instruction card, your shares of Net Element Common Stock will be voted in accordance with your instructions. If you are a shareholder of record and you sign, date and return your proxy card but do not indicate how you want to vote and do not indicate that you wish to abstain, your shares of Net Element Common Stock will be voted “FOR” the approval and adoption of the merger agreement and “FOR” the approval of the adjournment proposal.

Voting of Net Element Common Stock Held in Street Name

Net Element shareholders who hold shares of Net Element Common Stock in a stock brokerage account or through a bank, broker or other nominee (referred to in this joint proxy statement/prospectus as “street name” shareholders) who wish to vote at the Net Element special meeting should be provided a voting instruction card by the institution that holds their shares of Net Element Common Stock. If this has not occurred, contact the institution that holds your shares of Net Element Common Stock. A number of banks and brokerage firms participate in a program that also permits shareholders whose shares of Net Element Common Stock are held in “street name” to direct their vote by telephone or over the Internet. If your shares of Net Element Common Stock are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares of Net Element Common Stock by telephone or over the Internet by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. The Internet and telephone proxy procedures are designed to authenticate shareholders' identities, to allow shareholders to give their proxy voting instructions and to confirm that those instructions have been properly recorded. Votes directed by telephone or over the Internet through such a program must be received by 11:59 p.m. Eastern time on , 2012. Directing the voting of your shares of Net Element Common Stock will not affect your right to vote in person if you decide to attend the Net Element special meeting; however, you must first obtain a signed and properly executed legal proxy from your bank, broker or other nominee to vote your shares of Net Element Common Stock held in "street name" at the Net Element special meeting. Requesting a legal proxy from your bank, broker or other nominee prior to the deadline described above will automatically cancel any voting directions you have previously given by telephone or over the Internet with respect to your shares of Net Element Common Stock held in street name.

Revoking your Proxy

If you are a shareholder of record you can revoke your vote at any time before your proxy is voted at the Net Element special meeting. You can do this in one of three ways:

- you can send a signed notice of revocation to the Corporate Secretary of Net Element;
- you can submit a revised proxy bearing a later date by Internet, telephone or mail as described above; or
- you can attend the Net Element special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, though your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy no later than the beginning of the Net Element special meeting. If you are a beneficial owner of shares of Net Element Common Stock held in street name, you may submit new voting instructions by contacting your broker, bank or nominee. You may also vote in person at the Net Element special meeting if you obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the meeting.

Proxy Solicitations

Net Element is soliciting proxies for the Net Element special meeting from Net Element shareholders. Net Element will bear the cost of soliciting proxies from Net Element shareholders, except that Cazador and Net Element have each agreed to share equally the costs incurred in connection with the printing and mailing of this joint proxy statement/prospectus. In addition to this mailing, Net Element's directors, officers and employees (who will not receive any additional compensation for such services) may solicit proxies by telephone or in-person meeting.

Net Element will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the beneficial owners of Net Element Common Stock.

Other Business

The Net Element board is not aware of any other business to be acted upon at the Net Element special meeting.

Adjournments and Postponements

Adjournments or postponements may be made for the purpose of, among other things, soliciting additional proxies. One or more adjournments may be made from time to time with the approval of a majority of the votes present in person at the Net Element special meeting or represented by proxy at the time of the vote, whether or not a quorum exists. Net Element is not required to notify shareholders of one or more adjournments if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting.

In addition, at any time prior to convening the Net Element special meeting, the Net Element special meeting may be postponed without the approval of Net Element shareholders. If postponed, Net Element will publicly announce the new meeting date.

At any adjourned or postponed meeting, Net Element may transact any business that it might have transacted at the original meeting, provided that a quorum is present at such adjourned or postponed meeting. Proxies submitted by Net Element shareholders for use at the Net Element special meeting will be used at one or more adjournments or postponement of the meeting. References to the Net Element special meeting in this joint proxy statement/prospectus are to the Net Element special meeting as adjourned or postponed.

NET ELEMENT PROPOSAL NO. 1 — APPROVAL AND ADOPTION OF THE MERGER AGREEMENT

As discussed in this joint proxy statement/prospectus, Net Element is asking its shareholders to approve and adopt the merger agreement. Net Element shareholders should read carefully this joint proxy statement/prospectus in its entirety for more detailed information concerning the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference as an exhibit to the registration statement of which this joint proxy statement/prospectus is a part. Please see the section entitled "The Agreements — Description of the Merger Agreement" beginning on page 197 for additional information and a summary of certain terms of the merger agreement. You are urged to read carefully the entire merger agreement included in Annex A before voting on this proposal.

Approval of this proposal is a condition to the completion of the business combination. If the proposal is not approved, the business combination will not occur.

Vote Required for Approval

The merger agreement will be approved and adopted if the holders of at least a majority of the outstanding shares of Net Element Common Stock vote "FOR" this proposal.

Mike Zoi, Net Element's Chairman and Chief Executive Officer, owns, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of June 11, 2012 (67.2% assuming the exercise of options and warrants Mr. Zoi owns which are currently exercisable), and therefore holds enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder. Mr. Zoi intends to vote his shares "FOR" the approval and adoption of the merger agreement.

Recommendation of the Net Element Board

THE NET ELEMENT BOARD RECOMMENDS THAT THE NET ELEMENT SHAREHOLDERS VOTE "FOR" THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT.

NET ELEMENT PROPOSAL NO. 2 — ADJOURNMENT OF SPECIAL MEETING

Net Element is requesting the Net Element shareholders' approval on a proposal to adjourn the Net Element special meeting, if necessary, to permit further solicitation of proxies because there are not sufficient votes to approve and adopt the merger agreement.

Vote Required for Approval

The vote to adjourn the Net Element special meeting, if necessary, to permit the further solicitation of proxies because there are not sufficient votes to approve and adopt the merger agreement, will be approved if the holders of at least a majority of the outstanding shares of Net Element Common Stock who are present at the meeting, in person or by proxy, and entitled to vote on this proposal vote "FOR" this proposal.

Recommendation of the Net Element Board

THE NET ELEMENT BOARD RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY, TO PERMIT FURTHER SOLICITATION OF PROXIES BECAUSE THERE ARE NOT SUFFICIENT VOTES TO APPROVE AND ADOPT THE merger agreement.

THE BUSINESS COMBINATION

The following is a description of certain material aspects of the business combination. While we believe that the following description covers the material terms of the business combination, the description may not contain all of the information that may be important to you. The discussion of the business combination in this joint proxy statement/prospectus is qualified in its entirety by reference to the merger agreement, which is attached to the joint proxy statement/prospectus as Annex A and which is provided for the purpose of providing you with information regarding its terms and is incorporated by reference into this joint proxy statement/prospectus. We encourage you to read carefully this entire proxy statement/prospectus, including the merger agreement, for a more complete understanding of the business combination.

<u>General Description of the Business Combination</u>

Cazador is proposing to acquire Net Element pursuant to the merger agreement. Cazador and Net Element have entered into the merger agreement pursuant to which Net Element will merge with and into Cazador, with Cazador as the surviving entity.

Prior to the effectiveness of the merger, Cazador intends to change its jurisdiction of incorporation from the Cayman Islands to Delaware by effecting the Cazador domestication. On the effective date of the Cazador domestication, each Cazador Ordinary Share that is issued and outstanding will automatically convert by operation of law into one share of NEI Common Stock. Similarly, outstanding options, warrants and other rights to acquire Cazador Ordinary Shares will become options, warrants or rights to acquire the corresponding shares of NEI Common Stock. No other changes will be made to the terms of any outstanding options, warrants and other rights to acquire Cazador Ordinary Shares as a result of the Cazador domestication.

Prior to the effective time of the merger, each holder of outstanding securities of Net Element that are convertible into or exchangeable or exercisable for shares of Net Element Common Stock will enter into conversion agreements, pursuant to which all such outstanding securities of Net Element will be either terminated or converted into or exchanged or exercised for shares of Net Element Common Stock (in the case of outstanding Net Element stock options and warrants that are exercised, on a cashless basis); provided that certain option holders that received their options in lieu of compensation will have the ability to elect to terminate their options in exchange for cash in the amount of such compensation.

Pursuant to the terms of the merger agreement, upon completion of the merger, each share of then-issued and outstanding Net Element Common Stock (other than Net Element excluded shares, which will be cancelled upon effectiveness of the merger) will be automatically cancelled and converted into the right to receive the number of shares of NEI Common Stock equal to the Exchange Ratio. The Exchange Ratio initially is 0.025 shares of NEI Common Stock per share of Net Element Common Stock, which reflects a 147% premium over the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system of $0.10 per share on June 11, 2012. The Exchange Ratio is subject to adjustment to reflect appropriately the effect of any stock split, reverse stock split, stock dividend, extraordinary cash dividends, reorganization, recapitalization, reclassification, combination, exchange of shares or other like change. Notwithstanding the foregoing, to the extent a holder of Net Element Common Stock would receive fewer than 100 shares of NEI Common Stock as a result of the Exchange Ratio, Cazador shall have the right, exercisable in Cazador's sole and absolute discretion, to issue to any such holder an additional number of shares of NEI Common Stock so that such holder receives, in the aggregate, 100 shares of NEI Common Stock in connection with the merger.

Net Element shareholders will not receive any fractional shares of NEI Common Stock in the merger. Instead, Cazador will issue one share of NEI Common Stock to each holder of Net Element Common Stock that would otherwise be entitled to a fraction of a share of NEI Common Stock.

As a result of the business combination, former Net Element shareholders will own NEI Common Stock. Cazador intends to apply to list the NEI Common Stock on The NASDAQ Capital Market. There can be no assurance that the NEI Common Stock will be listed on The NASDAQ Capital Market.

Based on the number of fully diluted shares of Net Element Common Stock outstanding as of , 2012, the latest practicable date before the printing of this joint proxy statement/prospectus, the total number of shares of NEI Common Stock to be issued to holders of Net Element Common Stock as merger consideration will be approximately 24.5 million shares. Immediately following the completion of the business combination (without taking into account any shares of NEI Common Stock held by Net Element shareholders prior to the completion of the business combination), the former shareholders of Net Element are expected to own approximately 80.9% of the outstanding NEI Common Stock (or 65.6% of the outstanding NEI Common Stock calculated on a fully diluted basis) and the current holders of Cazador Ordinary Shares are expected to own approximately 19.1% of the outstanding NEI Common Stock (or 34.4% of the outstanding NEI Common Stock calculated on a fully diluted basis).

Background of the Business Combination

Background

Cazador is a blank check company incorporated in April 2010 as a Cayman Islands exempted company for the purpose of effecting a merger, share capital exchange, asset acquisition, share purchase, reorganization or similar business combination. Cazador's business plan is not limited to a particular industry, geographic region or minimum transaction value for purposes of consummating an initial business combination, except that its initial business combination must be with one or more target businesses whose fair market value, individually or collectively, is equal to at least 80% of the balance in the trust account at the time of such initial business combination plus any amounts previously distributed to Cazador shareholders who have exercised their shareholder redemption rights.

Subsequent to its initial public offering, Cazador's officers and directors commenced an active search for a prospective operating business. During the search process, Cazador reviewed over 50 acquisition or merger opportunities, entered into confidentiality agreements with approximately 25 possible target candidates (or their representatives), and conducted early stage due diligence reviews of approximately 10 of such operating businesses. During the period from the closing of its initial public offering through June 2012, Cazador made eight non-binding written proposals to acquire or merge with eight of these businesses. While varying levels of discussion ensued with each of the operating businesses with respect to which Cazador issued a proposal, four proposals were affirmatively accepted and substantial due diligence was conducted by Cazador. Cazador completed its due diligence efforts and engaged in negotiations regarding the definitive terms of a transaction agreement with respect to only one operating company other than Net Element. Cazador elected to pursue a transaction with Net Element primarily because, in Cazador's judgment, Net Element had advantages in several areas of Cazador's screening criteria, including, among other things, possessing a strong technology-focused management team, its strategic position, the attractiveness of its industry and business model and having multiple opportunities for growth.

Francesco Piovanetti, Cazador's Chief Executive Officer, discussed with Mike Zoi, Chief Executive Officer of Net Element, on several occasions as to whether Net Element would be a good fit to merge with Cazador. Mr. Zoi was personally acquainted with Mr. Piovanetti through common non-business interests.

In March 2012, Mr. Zoi called Mr. Piovanetti and expressed a potential interest in engaging in a transaction between Net Element and Cazador. Mr. Piovanetti, with his deal team, then commenced a review of Net Element's public SEC filings which included Net Element's historical financial statements and overview of its businesses. On or about April 2, 2012, Cazador's management expressed preliminary interest to Mr. Zoi in pursuing a transaction with Net Element, specifically dealing with Net Element's potential for expansion of its business in Russia. On or about April 8, 2012, Mr. Zoi had further discussions with Mr. Piovanetti in Moscow, Russia regarding a transaction involving Net Element and Cazador. On or about April 19, 2012, Mr. Piovanetti discussed the idea of merging Net Element and Cazador, and discussed preliminary transactional terms with Mr. Zoi and issued a non-binding term sheet. Over the next several weeks, various telephone and email communications took place between Cazador and Net Element where information was exchanged to assist Cazador in gaining a better understanding of Net Element's business and prospects.

Following an April 22, 2012 meeting, the parties exchanged more financial information and discussed Net Element's emerging markets strategy.

On May 2, 2012, Cazador's management determined that the fair market value of Net Element was approximately $107 million, which was calculated by multiplying the shares of Net Element Common Stock to be acquired by Cazador in the merger by the last reported sale price per share of Net Element Common Stock on the OTCQB electronic quotation system on May 2, 2012. Because the balance of the Cazador trust account was approximately $46.2 million as of May 2, 2012, Cazador's management concluded that the fair market value of Net Element was greater than 80% of the balance of the Cazador trust account.

On May 1, 2012, Cazador executed a non-binding letter of intent with Net Element, proposing a merger transaction based on an Exchange Ratio of one share of Net Element Common Stock for 0.025 shares of NEI Common Stock.

On May 1, 2012, Cazador executed a confidentiality agreement with Net Element and intensified its review of Net Element's business. Numerous meetings and calls were held between on or about May 1, 2012 and the date of this joint proxy statement/prospectus.

Starting May 1, 2012, representatives of Cazador and Reed Smith conducted legal, financial and operational due diligence on Net Element.

On May 30, 2012, Net Element held a board meeting at which it considered Cazador's proposal and decided to continue with its analysis of the business combination and due diligence.

On June 6th and 7th, representatives of Cazador and Net Element negotiated the final terms of the merger agreement and the ancillary documents.

On June 7, 2012, the Cazador board met telephonically to discuss the proposed transaction with Net Element. The discussions involved a summary of the proposed terms of the transaction, the status of Cazador's due diligence review of Net Element, possible market reaction to the proposed transaction, and the timing of the transaction. Also, at that meeting, the Cazador board discussed and reviewed the form of merger agreement and ancillary documents presented to it. The Cazador board adjourned the meeting to review and consider the merger agreement and ancillary documents.

On June 7, 2012, the board of directors of Net Element approved and adopted, among other things, the merger agreement.

On June 11, 2012, the Cazador board met telephonically and, after further discussions regarding the business combination, approved the merger and approved and adopted the form of merger agreement and ancillary documents presented to it and authorized the officers of Cazador to complete the merger agreement and ancillary documents.

On June 12, 2012, the parties executed the merger agreement.

The Cazador Domestication

General

It is a condition to close the merger pursuant to the terms of the merger agreement that Cazador change its jurisdiction of incorporation from the Cayman Islands to Delaware, referred to as the Cazador domestication. To effect the Cazador domestication, Cazador will file a notice of de-registration with the Cayman Islands Registrar of Companies, together with the necessary accompanying documents, and file a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of Delaware, under which Cazador will be domesticated and continue as a Delaware corporation, at which time Cazador will change its name, in connection with the effectiveness of the merger, to “Net Element International, Inc.” The Cazador domestication requires the approval of the holders of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at the Cazador special meeting. Under Cayman Islands law and the DGCL, the domestication of Cazador in Delaware is deemed effective upon the date of the certificate of deregistration issued by the Cayman Islands Registrar of Companies and the filing of the certificate of corporate domestication and the certificate of incorporation with the Secretary of State of the State of Delaware. The Cayman Islands Registrar of Companies will issue a certificate of deregistration and, with effect from the date of such certificate, Cazador will cease to be registered as a company in the Cayman Islands. Cazador will cease to be registered as a company in the Cayman Islands on the same day that it is continued as a Delaware corporation. The certificate of corporate domestication is attached as Annex E to this joint proxy statement/prospectus and incorporated by reference herein.

In connection with the Cazador domestication, NEI will adopt amended and restated bylaws, which, together with the amended and restated certificate of incorporation filed in Delaware, will be the organizational documents of Cazador after the Cazador domestication.

Effects of the Cazador Domestication

Article 206 of the Companies Law (2011 Revision) of the Cayman Islands provides that an exempted company which proposes to be registered by way of continuation as a body corporate limited by shares under the laws of any other jurisdiction may apply to the Register of Companies to be deregistered in the Cayman Islands. Under Cayman Islands law, in addition to filing documents specified by Cayman Islands law with the Registrar of Companies, the Cazador domestication requires the approval of the holders of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at the Cazador special meeting.

Section 388 of the DGCL provides that an entity organized in a country outside the United States may become domesticated as a corporation in Delaware by filing in Delaware a certificate of incorporation and a certificate of corporate domestication stating, among other things, that the domestication and the certificate of incorporation have been approved as provided in the organizational documents of the non-U.S. entity. Section 388 does not provide any separate approval requirements for a domestication. The DGCL also does not provide shareholders with statutory rights of appraisal in connection with a domestication under Section 388.

Under Article 207 of the Companies Law (2011 Revision) of the Cayman Islands, Cazador's de-registration from the Cayman Islands and continuance in Delaware will not be deemed to operate to create a new legal entity or prejudice or affect Cazador's continuity as an existing corporation. Similarly, Section 388 of the DGCL provides that, upon domesticating in Delaware:

- NEI shall be deemed to be the same entity as Cazador Cayman, and the domestication shall constitute a continuation of the existence of Cazador Cayman in the form of NEI;
- all rights, privileges and powers, as well as all property, of Cazador Cayman shall remain vested in NEI;

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- all debts, liabilities and duties of Cazador Cayman shall remain attached to NEI and shall be enforceable against NEI to the same extent as if originally incurred by it; and

- the domestication shall not be deemed a dissolution of Cazador Cayman.

No Change in Business, Locations or Fiscal Year

The Cazador domestication will effect a change in Cazador's jurisdiction of incorporation, and other changes of a legal nature, including changes in Cazador's organizational documents, which are described in this joint proxy statement/prospectus. The business, assets and liabilities of Cazador, as well as Cazador's principal locations and fiscal year, will be the same upon effectiveness of the Cazador domestication as they are prior to the Cazador domestication (following completion of the merger, Cazador will then change its principal business locations to those of Net Element).

Upon effectiveness of the Cazador domestication, all of Cazador's obligations will continue as outstanding and enforceable obligations of NEI.

No Change in Management or Board of Directors

Cazador Cayman's executive officers and directors will be the executive officers and directors, respectively, of NEI upon effectiveness of the Cazador domestication. In addition, neither the members nor the chairpersons of Cazador's board committees will change upon effectiveness of the Cazador domestication. However, following consummation of the merger, the NEI officers and directors and committee members will be as set forth in "Post- Merger NEI Executive Officers and Directors" beginning on page 210.

Cazador Domestication Share Conversion

In the Cazador domestication, each currently issued and outstanding Cazador Ordinary Shares will automatically convert by operation of law, on a one-for-one basis, into shares of NEI Common Stock. Consequently, upon the effectiveness of the Cazador domestication, each holder of a Cazador Ordinary Share will instead hold a share of NEI Common Stock representing the same proportional equity interest in NEI as that shareholder held in Cazador Cayman and representing the same class of shares. The number of shares of NEI Common Stock outstanding immediately after the Cazador domestication will be the same as the number of Cazador Ordinary Shares outstanding upon Cazador domestication.

NEI will not issue new stock certificates to holders of NEI Common Stock who currently hold any certificates representing Cazador Ordinary Shares. A holder of Cazador Ordinary Shares who currently holds any certificates representing Cazador Ordinary Shares will receive a new stock certificate only upon any future transaction in NEI Common Stock that requires the transfer agent to issue stock certificates in exchange for existing share certificates. It is not necessary for a holder of Cazador Ordinary Shares to exchange their existing share certificates for share certificates of NEI Common Stock. Until surrendered and exchanged, each certificate evidencing Cazador Ordinary shares will be deemed for all purposes of Cazador to evidence the identical number of shares of NEI Common Stock. Holders of uncertificated Cazador Ordinary Shares upon Cazador domestication will continue as holders of uncertificated shares of NEI Common Stock upon effectiveness of the Cazador domestication.

Similarly, outstanding options and warrants to acquire Cazador Ordinary Shares will become options or warrants to acquire shares of NEI Common Stock. NEI will not issue new options or warrants to acquire shares of NEI Common Stock until such future transaction that requires the issuance of options or warrants to acquire shares of NEI Common Stock in exchange for existing options or warrants to acquire Cazador Ordinary Shares. Until surrendered and exchanged, each option or warrant to acquire Cazador Ordinary Shares will be deemed for all purposes of Cazador to evidence an option or warrant to acquire the identical number of shares of NEI Common Stock. No other changes will be made to the terms of any outstanding options, warrants and other rights to acquire Cazador Ordinary Shares as a result of the Cazador domestication.

Comparison of Shareholder Rights

Upon effectiveness of the Cazador domestication, the rights of holders of NEI Common Stock will arise under the amended and restated certificate of incorporation and bylaws of NEI as well as the DGCL. Those organizational documents and the DGCL contain provisions that differ in some respects from those in the Cazador Cayman Charter and Cayman Islands law and, therefore, some of the rights of holders of NEI Common Stock could differ from the rights of holders of Cazador Ordinary Shares. For instance, while class actions are generally not available to shareholders under Cayman Islands law, such actions are generally available under the DGCL. This change could increase the likelihood that Cazador becomes involved in costly litigation, which could have a material adverse effect on Cazador. Additionally, there are differences between the new organizational documents of NEI and the current organizational documents of Cazador Cayman. For example, while the Cazador Cayman Charter contains provisions regarding “business combinations” and “interested shareholders” that will be substantially similar in effect to the provisions of Section 203 of the DGCL, the amended and restated NEI bylaws will not contain provisions similar to the business combination provisions in the Cazador Cayman Charter. However, holders of NEI Common Stock will have substantially similar voting rights because NEI will be subject to the provisions of Section 203 of the DGCL upon effectiveness of the Cazador domestication. There can be no assurance that the rights afforded by Section 203 of the DGCL will not be changed or rescinded by the Delaware legislature or courts in the future.

For a more detailed description of the rights of holders of NEI Common Stock and how they may differ from the rights of holders of Cazador Ordinary Shares, please see “Comparison of Shareholder Rights” beginning on page 231. Forms of the amended and restated certificate of incorporation and bylaws of NEI are attached as Appendices C and D, respectively, to this joint proxy statement/prospectus and we urge you to read them.

No Rights of Appraisal in the Cazador Domestication

Under Cayman Islands law and the Cazador Cayman Charter, holders of Cazador Ordinary Shares do not have statutory rights of appraisal or any other appraisal rights of their shares as a result of the Cazador domestication. Nor does the DGCL provide for any such rights.

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Recommendation of the Cazador Board; Cazador's Reasons for the Business Combination

At a meeting held on June 11, 2012, the Cazador board unanimously (i) approved the merger agreement and the consummation of the transactions contemplated thereby upon the terms and subject to the conditions set forth in the merger agreement; (ii) approved the Cazador domestication; (iii) determined that the terms of the merger are fair to, and in the best interests of, Cazador and its shareholders; (iv) directed that the merger agreement be submitted to Cazador shareholders for adoption; (v) recommended that Cazador shareholders vote in favor of each of the Cazador merger proposal and the Cazador domestication proposal and (vi) declared the advisability of the business combination. ACCORDINGLY, THE CAZADOR BOARD UNANIMOUSLY RECOMMENDS THAT CAZADOR SHAREHOLDERS VOTE (i) "FOR" THE CAZADOR MERGER PROPOSAL; (ii) "FOR" THE CAZADOR DOMESTICATION PROPOSAL; AND (iii) "FOR" THE PROPOSAL TO APPROVE THE ADJOURNMENT OF THE SPECIAL MEETING (if it is necessary or appropriate to solicit additional proxies because there are not sufficient votes to obtain the Cazador business combination approval).

In seeking out a candidate for a business combination, Cazador's board of directors and management developed a set of general criteria in order to attempt to systematically narrow the universe of prospective candidates. The Cazador board felt that the following considerations (not listed in any particular order) with respect to any acquisition candidate should be of primary importance:

- cash flow potential;
- growth potential;
- experience and skill of management and availability of additional personnel;
- capital requirements;
- competitive position;
- barriers-to-entry by competitors;
- stage of development of the products, processes or services;
- degree of current or potential market acceptance of the products, processes or services;

- proprietary features and degree of intellectual property or other protection of the products, processes or services;
- sensitivity of the business to general macro-economic conditions;

- stability of the business;
- technology risk;
- business plan execution risk; and
- costs associated with effecting the business combination.

Cazador has been in search of a business combination partner since its initial public offering in October 2010. Cazador elected to pursue a transaction with Net Element primarily because, in Cazador's judgment, Net Element has advantages in several areas of Cazador's screening criteria, including, among other things, possessing a strong technology-focused management team, its strategic position, the attractiveness of its industry and business model and having multiple opportunities for growth, including Net Element's potential for expansion of its business in Russia. The Cazador board believes that, in light of the forgoing, the business combination with Net Element presents an opportunity to increase shareholder value.

<u>Consequences to Cazador if the Business Combination Is Not Approved</u>

If either of the Cazador merger proposal or the Cazador domestication proposal is not approved by the Cazador shareholders, if the Net Element merger proposal is not approved by the Net Element shareholders, if required regulatory approvals are denied or delayed or certain other closing conditions are not met and are not waived (if waivable), then the business combination will not occur.

Pursuant to the Cazador Cayman Charter, if the business combination is not completed prior to October 14, 2012, then Cazador will be required to repurchase all of the Public Cazador Ordinary Shares and liquidate the trust account and distribute the proceeds pro rata to the holders of Public Cazador Ordinary Shares in return for such shares (which will be subsequently cancelled upon completion of the redemption of such shares).

Following completion of the repurchase of all of the Public Cazador Ordinary Shares, Cazador's Sponsor will be the only remaining shareholder and Cazador will continue in existence. To the extent any claims deplete the funds remaining in the trust account, Cazador cannot assure you that it will be able to return to holders of Public Cazador Ordinary Shares the amounts payable to them from the liquidation of the trust account. In addition, under certain limited circumstances distributions received by shareholders could be viewed by applicable laws (including insolvency laws and certain equitable and/or restitution principles) as either fraudulent transfers or mistaken or otherwise wrongful payments. In those circumstances, a court could order that amounts received by holders of Public Cazador Ordinary Shares be repaid to Cazador.

See "Information About Cazador — Liquidation If No Business Combination" beginning on page 75.

Redemption Rights of Cazador Shareholders

Because Cazador is seeking shareholder approval for the business combination, Cazador is offering each holder of Public Cazador Ordinary Shares the right to have such holder's shares redeemed into cash if such holder either (i) votes against the business combination and timely exercises such redemption right or (ii) votes in favor of the business combination but elects to exercise such shareholder's right to redeem. Cazador's Sponsor and its beneficial owners will not have shareholder redemption rights with respect to any Cazador Ordinary Shares owned by them, directly or indirectly, including Cazador Ordinary Shares purchased by them in Cazador's initial public offering or in the secondary market. The actual per-share redemption price will be equal to the aggregate amount then in the trust account, and including accrued interest, net of any interest income on the trust account balance required for Cazador to pay its tax obligations incurred and net of interest income of up to $2.0 million previously released to Cazador to fund its working capital requirements (calculated as of two business days prior to the consummation of the business combination), divided by the number of Public Cazador Ordinary Shares. As of June 11, 2012, the per-share redemption price would be approximately $10.036. There will be no redemption rights upon the consummation of the business combination with respect to outstanding Cazador warrants.

Notwithstanding the foregoing, as set forth in the Cazador Cayman Charter, a holder of Public Cazador Ordinary Shares, together with any affiliate of his or any other person with whom he is acting in concert or as a partnership, syndicate or other group for the purpose of acquiring, holding or disposing of Cazador Cayman's securities, will be prohibited from exercising shareholder redemption rights with respect to more than 10% of the Public Cazador Ordinary Shares. Such a shareholder would still be entitled to vote against the business combination with respect to all Public Cazador Ordinary Shares owned by him or his affiliates. Cazador believes this prohibition will discourage shareholders from accumulating large blocks of Public Cazador Ordinary Shares before the vote held to approve the business combination and attempt to use the shareholder redemption right as a means to force Cazador or its management to purchase their shares at a significant premium to the then current market price. Absent this provision, a shareholder who owns in excess of 10% of the Public Cazador Ordinary Shares could threaten to vote against the business combination and seek conversion, regardless of the merits of the transaction, if his shares are not purchased by Cazador or its management at a premium to the then current market price (or if management refuses to transfer to him some of their shares). By limiting a shareholder's ability to redeem only 10% of the Public Cazador Ordinary Shares, Cazador believes it has limited the ability of a small group of shareholders to unreasonably attempt to block a transaction which is favored by Cazador's other public shareholders. However, Cazador is not restricting the shareholders' ability to vote all of their shares against the business combination.

An eligible shareholder may request shareholder redemption at any time after the mailing of this joint proxy statement/prospectus and up to the business day immediately preceding the vote with respect to the business combination. Redeeming shareholders may vote either "FOR" or "AGAINST" the business combination but will receive no pro rata interest income in the event they vote against the business combination (this will be the case with respect to both redemption proceeds if the proposal is approved and liquidation proceeds if not) which will incentivize redeeming shareholders to vote in favor of the business combination since redeeming shareholders voting for the business combination will be eligible to receive a pro rata share of the interest income earned by the trust not released to Cazador for working capital purposes and as a result have a higher redemption price, and Cazador will retain the difference to the extent of a liquidation of its trust account. In addition, no later than the business day immediately preceding the vote on the business combination, the redeeming shareholder must present written instructions to Cazador's transfer agent stating that the shareholder wishes to redeem its Public Cazador Ordinary Shares and confirming that such shareholder has held such shares since the record date and will continue to hold them through the Cazador shareholder meeting and the close of the business combination. Public Cazador Ordinary Shares that have not been tendered in accordance with these procedures by the business day prior to the Cazador shareholder meeting will not be redeemed for cash.

Cazador is requiring holders of Public Cazador Ordinary Shares, whether they are a record holder or hold their shares in "street name," to either tender their certificates to Cazador's transfer agent or to deliver their Public Cazador Ordinary Shares to the transfer agent electronically using Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System, in each case, at the holder's option no later than the business day immediately preceding the vote on the business combination. As the delivery process can be accomplished by the shareholder, whether or not he is a record holder or his shares are held in "street name," in a matter of hours by simply contacting the transfer agent or his broker and requesting delivery of his shares through the DWAC System, Cazador believes this time period is sufficient for an average investor. However, because Cazador has no control over this process, it may take significantly longer than anticipated.

The purpose of the requirement for physical or electronic delivery prior to the shareholder meeting is two-fold. First, it insures that the exercise by a shareholder of his shareholder redemption rights is irrevocable once the business combination is approved, and second, it insures that Cazador will know the amount of the proceeds from the initial public offering that it will be able to use to consummate the business combination. Traditionally, in order to perfect shareholder redemption rights in connection with a blank check company's initial business combination, a holder could simply vote against a proposed initial business combination and check a box on the proxy card indicating such holder was seeking redemption. After the business combination was approved, the company would contact such shareholder to arrange for him to deliver his ordinary shares to verify ownership. As a result, the shareholder then had an "option window" after the consummation of the initial business combination during which he could monitor the price of the shares in the market. If the price rose above the redemption price, he could sell his shares in the open market before actually delivering his shares to the company for cancellation. Thus, the shareholder redemption right, with respect to which shareholders was aware they needed to commit before the shareholder meeting, would become a continuing right surviving past the consummation of the initial business combination until the redeeming shareholder delivered his ordinary shares for conversion. The requirement for physical or electronic delivery prior to the meeting would be imposed to ensure that a redeeming holder's election to redeem is irrevocable once the business combination is approved.

There is a nominal cost associated with the above-referenced tendering process and the act of certificating the shares or delivering them through the DWAC system. The transfer agent will typically charge approximately $50 to the tendering broker, and it would be up to the broker to decide whether to pass this cost on to the shareholder who has exercised his shareholder redemption right. However, this fee would be incurred whether or not Cazador requires shareholders seeking to exercise their shareholder redemption rights to tender their shares prior to the meeting as the need to deliver the shares is a requirement of redemption whenever such delivery must be effectuated. Accordingly, tendering shares prior to the meeting would not result in any increased cost to shareholders when compared to the traditional process.

The steps outlined above will make it more difficult for holders of Public Cazador Ordinary Shares to exercise their shareholder redemption rights. In the event that it takes longer than anticipated to obtain delivery of their shares, holders of Public Cazador Ordinary Shares who wish to redeem may be unable to make such delivery by the deadline for exercising their shareholder redemption rights and thus will be unable to redeem their shares.

Any request for shareholder redemption, once made, may be withdrawn at any time up to the business day immediately prior to the vote with respect to the business combination. Furthermore, if a holder of Public Cazador Ordinary Shares delivered his shares for redemption and subsequently decided prior to the meeting not to elect redemption, he may simply request that the transfer agent return the shares (physically or electronically). It is anticipated that the funds to be distributed to shareholders entitled to redeem their shares who elect redemption will be distributed promptly after completion of the business combination. Holders of Public Cazador Ordinary Shares who redeem their shares for their pro rata share of the trust account still have the right to exercise any warrants they still hold.

Redeeming shareholders may vote either for or against the business combination but will receive no pro rata interest income in the event they vote against such business combination (this will be the case with respect to both redemption proceeds if the proposal is approved and proceeds from liquidation of the trust account if not) which will incentivize redeeming shareholders to vote in favor of the business combination since redeeming shareholders voting for the business combination will be eligible to receive a pro rata share of the interest income earned by the trust and as a result have a higher redemption price. However, if a holder of Public Cazador Ordinary Shares fails to properly exercise such shareholder's redemption rights, such shareholder will not have its Public Cazador Ordinary Shares redeemed for its pro rata distribution of the trust account.

Cazador will not complete the business combination if holders of Public Cazador Ordinary Shares, owning, in the aggregate, more than 49.9% of the Public Cazador Ordinary Shares, both vote against and exercise their shareholder redemption rights with respect to the business combination. Cazador has set the redemption percentage at 49.9% in order to reduce the likelihood that a small group of investors holding a block of Cazador Ordinary Shares will be able to stop Cazador from completing the business combination that may otherwise be approved by holders of the outstanding Public Cazador Ordinary Shares. As of June 11, 2012, the per-share redemption price would be approximately $10.036. Additionally, as per the terms of the merger agreement, the merger will not be consummated unless Cazador has at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt). Holders of Public Cazador Ordinary Shares will be able to redeem their shares up to the business day upon the vote on the proposals to approve the business combination.

If a vote on the business combination is held and the business combination is not approved, Cazador may continue to try to consummate an initial business combination with Net Element or a different target until October 14, 2012, which is the date on which Cazador is required to liquidate the trust account. If the business combination is not approved or completed for any reason, then holders of Public Cazador Ordinary Shares who exercised their shareholder redemption rights would not be entitled to redeem their Public Cazador Ordinary Shares for a pro rata share of the aggregate amount then in the trust account.

Recommendation of the Net Element Board; Net Element’s Reasons for the Business Combination

At a meeting held on June 7, 2012, the Net Element board (other than Mike Zoi, who did not participate in the vote) unanimously (i) approved the merger agreement and the consummation of the transactions contemplated thereby upon the terms and subject to the conditions set forth in the merger agreement; (ii) determined that the terms of the business combination are fair to, and in the best interests of, Net Element and its shareholders; (iii) directed that the merger agreement be submitted to Net Element shareholders for adoption; and (iv) declared the advisability of the business combination. THE NET ELEMENT BOARD RECOMMENDS THAT NET ELEMENT SHAREHOLDERS VOTE “FOR” THE NET ELEMENT MERGER PROPOSAL AND “FOR” THE PROPOSAL TO APPROVE THE ADJOURNMENT OF THE SPECIAL MEETING.

The terms and conditions of the Merger Agreement and related agreements are the result of arm’s-length negotiations between Net Element and Cazador. Mike Zoi, Net Element’s Chief Executive Officer and Chairman of the board of directors, has known Francesco Piovanetti, Cazador’s Chief Executive Officer and Sponsor, since 2008. They are both involved in gentlemen’s auto racing in the North American Ferrari Challenge series. In 2011, Mr. Piovanetti and his associates at ACM reviewed Net Element’s business plan and opportunities and advised Net Element on its operational and financial prospects.

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In March 2012, during a meeting between Messrs. Zoi and Piovanetti about other business opportunities, Mr. Piovanetti expressed an interest in Net Element's Russian ventures and its alignment with Cazador's stated business focus for its acquisition targets. Net Element and Cazador signed a non-disclosure agreement in anticipation of further discussions about Net Element's business. In April 2012, Mr. Piovanetti traveled to Russia to meet with Mr. Zoi and confirm Net Element's business opportunities.

In April 2012, Messrs. Zoi and Piovanetti discussed a possible business combination between Net Element and Cazador. At the time of these discussions, Net Element's stock was trading at approximately $0.25 per share.

In April 2012, Mr. Zoi met with the Net Element management team and instructed them to begin preparing due diligence materials for use in a potential business combination.

On April 24, 2012, the Net Element board held a meeting in New York where Mr. Piovanetti presented to the Net Element board a potential transaction that would result in Net Element shareholders receiving one Cazador Ordinary Share valued at $10.00 per share for every 40 shares of Net Element Common Stock.

On April 27, 2012, Messrs. Zoi and Piovanetti participated in the Ferrari Challenge race series at Infineon Raceway in Sonoma, California. Curtis Wolfe, one of Net Element's directors, attended the races and the three further discussed the potential transaction.

On May 2, 2012, Net Element and Cazador executed a non-binding Indicative Term Sheet for the Merger between Cazador and Net Element and the Cazador team was given access to Net Element's virtual data room. In May 2012, some of Mr. Piovanetti's associates at ACM had a series of meetings with Jonathan New, Net Element's chief financial officer, and other officers of Net Element at Net Element's Miami headquarters and continued with due diligence.

On May 30, 2012, the Net Element board held a telephonic meeting at which the Net Element board members were updated on the negotiations of the draft merger agreement and provided a summary of the terms of the draft merger agreement by Serge Pavluk, a partner at Bilzin Sumberg Baena Price & Axelrod LLP, Net Element's outside counsel. Certain questions by the directors with respect to the terms of the merger agreement were discussed and answered at that meeting. The Net Element board adjourned the meeting to further review and consider the merger agreement and the merger.

On June 1, 2012, both Net Element's and Cazador's business and legal teams held a meeting at the offices of Bilzin Sumberg Baena Price & Axelrod LLP in Miami and simultaneous conference call to further negotiate and work toward finalizing the merger agreement.

On June 7, 2012, the Net Element board held a telephonic meeting to further discuss the transaction and its timing. At that meeting, the Net Element board approved the merger, the form of the merger agreement and ancillary documents provided to the directors, and directed that the merger agreement be submitted to the shareholders of Net Element for their adoption.

Net Element's and Cazador's business and legal teams continued their efforts in negotiating and finalizing the merger agreement and other transaction documents until June 8, 2012.

On June 11, 2012, the Cazador board approved and adopted the merger agreement.

On June 12, 2012, the parties executed the merger agreement.

Reasons for Recommendation.

The Net Element board, acting with the advice and assistance of its legal advisors, evaluated the merger agreement, and the transactions contemplated by the merger agreement. In approving the merger agreement, and declaring them to be advisable, fair to, and in the best interests of, the shareholders of Net Element, and in recommending that Net Element's shareholders approve and adopt the merger agreement, the Net Element board considered a number of factors, including (1) Net Element's current and historical financial condition and results of operations, and its competitive position, strategic options, and prospects (based on new and recently-launched Company initiatives and otherwise) and (2) interest rates and other market conditions. The Net Element board viewed and evaluated these factors collectively to support its decision. A description of these factors is set forth below.

The Net Element board's recommendation that Net Element's shareholders adopt the merger agreement is based primarily on the value of the merger consideration payable to Net Element shareholders pursuant to the merger.

In the course of evaluating the terms of the merger, the Net Element board consulted with management and legal advisors and, in reaching its decision, considered the following material factors, each of which it believed supported its approval of the merger agreement:

- Cash position of Cazador, at least $23.5 million of cash in Cazador's trust account, that would be available to the surviving entity in the merger for working capital and business development needs;

- general industry, economic and market conditions, both on an historical and on a prospective basis;

- the strategic alternatives to the business combination, including continuing to operate on a stand-alone basis at a time when the industry in which Net Element operates is under significant, long-term competitive pressures including technological changes in the way information is distributed and how businesses advertise their products and services;

- the risks associated with such strategic alternatives (including the risk associated with Net Element's ability to meet its capital requirements and Net Element's ability to secure adequate financing), compared with the opportunity for Net Element shareholders to realize in stock of a larger public company a fair value as contemplated by the merger agreement;

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- the Net Element board's belief that the aggregate merger consideration represents a fair price for 100% of the shares of Net Element Common Stock;
- the fact that no other party expressed interest with respect to a strategic transaction with Net Element;
- the current and historical market prices of Net Element Common Stock, including the market price of Net Element Common Stock relative to those of other industry participants and general market indices;
- the Net Element board considered that the Exchange Ratio represents a roughly $0.25 per share valuation of Net Element Common Stock, which is approximately a 106% premium over the last closing price of Net Element Common Stock as of June 6, 2012 (the last full trading day before the Net Element board's approval of the transaction), and approximately a 55% premium over the last closing price of Net Element Common Stock 30 days prior to the Net Element board's approval of the transaction;
- the Net Element board's belief that shares of Net Element Common Stock were unlikely to trade at prices substantially above their then current level for some substantial period;
- Net Element's limited ability to raise additional capital through equity financing;
- the opportunity for Net Element shareholders to realize substantial value and potential enhanced liquidity based on the receipt of 0.025 shares of NEI Common Stock for each share of Net Element Common Stock they hold upon the merger;
- the merger agreement has customary terms and was the product of arm's-length negotiations;
- the conditions to the merger being completed are few, specific and limited;
- the financial and other terms and conditions of the merger agreement as reviewed by the Net Element board (see "The Merger Agreement — Description of the Merger Agreement" beginning on page 197 and the fact that such terms and conditions are reasonable and were the product of arm's-length negotiations between the parties;
- the Net Element board's belief that it obtained the highest consideration per share that Cazador was willing to pay, taking into account the terms resulting from extensive negotiations between the parties;
- the Net Element board's understanding of the current state of the capital markets;

- the fact that, subject to compliance with the terms and conditions of the merger agreement, Net Element is permitted to terminate the merger agreement, prior to the adoption of the merger agreement by Net Element's shareholders, in order to approve an alternative transaction proposed by a third party that is a "superior proposal;"

- the availability of appraisal rights, only to the extent available under the DGCL, to holders of Net Element Common Stock who comply with the required procedures under the DGCL, which will allow Net Element shareholders to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery should they so choose (see "The Merger Agreement — Description of the Merger Agreement — Appraisal Rights/Dissenting Shares" beginning on page 199 and Annex A);

- the fact that Cazador Ordinary Shares are listed on The NASDAQ Capital Market, and the NEI Common Stock may be able to be listed on The NASDAQ Capital Market, offering increased liquidity to Net Element's shareholders;

- the likelihood that the business combination will be consummated in light of the limited conditions to Cazador's obligations to complete the business combination, and the likelihood of obtaining any necessary regulatory approvals.

The Net Element board also considered a variety of risks and other potentially negative factors concerning the merger agreement and the business combination, including the following:

- the risk that the business combination may not be completed in a timely manner or at all;

- the possibility that, although the merger provides Net Element shareholders the opportunity to realize a premium over the price at which Net Element Common Stock traded upon public announcement of the business combination, the price of Net Element Common Stock might have increased in the future to a price greater than the value of the NEI Common Stock received as the merger consideration;

- the risks and costs to Net Element if the merger does not close, including the diversion of management and employee attention, potential employee attrition, the potential effect on business and customer relationships, and the transaction costs including legal fees incurred in connection with the merger;

- the fact that Net Element entered into the merger agreement with a "blank check" corporation organized to effect a business combination with one or more businesses;

- the restrictions on the conduct of Net Element business prior to the completion of the merger, requiring Net Element to conduct its business only in the ordinary course, subject to specific limitations or Cazador's consent, which may delay or prevent Net Element from undertaking business opportunities that may arise pending completion of the merger; and

- the interests of Net Element's principal shareholders, executive officers and directors in the business combination (see "The Business Combination — Interests of Net Element Officers and Directors in the Business Combination").

The foregoing discussion of the information and factors considered by the Net Element board is not intended to be exhaustive, but includes the material factors considered by the Net Element board, including the substantive and procedural factors considered. In view of the variety of factors considered in connection with its evaluation of the merger, the Net Element board did not find it practicable to quantify, and did not quantify, or otherwise assign relative weights to, the specific factors considered in reaching its conclusion. In addition, each of the members of the Net Element board applied his own personal business judgment to the process and may have given differing weights to different factors. In arriving at their recommendation, the members of the Net Element board also considered the interests that certain executive officers of Net Element may have with respect to the merger that differ from, or are in addition to, their interests as shareholders generally, as described below under "Interests of Officers and Directors in the Business Combination."

Interests of Officers and Directors in the Business Combination

Interests of Cazador Officers and Directors in the Business Combination

When you consider the recommendation of Cazador's board of directors to vote in favor of the approval of the Cazador merger proposal and the Cazador domestication, you should keep in mind that Cazador's directors and executive officers have interests in the business combination that are different from, or in addition to, your interests as a shareholder. These interests include, among other things:

- If a business combination is not completed by October 14, 2012, Cazador will be required under the Cazador Cayman Charter to repurchase all Public Cazador Ordinary Shares, within five business days, pursuant to the procedures in the Cazador Cayman Charter.

- Following completion of the repurchase of the Public Cazador Ordinary Shares, Cazador's Sponsor will be the only remaining shareholder and Cazador will continue in existence. The Sponsor and its beneficial owners have waived their rights to participate in any liquidation of the trust account with respect to Cazador Ordinary Shares held by them. There will be no distribution from the trust account with respect to Cazador warrants, which may expire worthless.

- The costs of liquidation of the trust account will be met from Cazador's remaining assets outside of the trust account or from interest earned on the funds held in the trust account that may be released to Cazador to fund its working capital requirements, if not done in connection with a shareholder vote with respect to the extended period of a potential initial business combination. If such funds are insufficient, each of Cazador's Sponsor and ACM has agreed, jointly and severally, to advance Cazador the funds necessary to complete such liquidation (currently anticipated to be no more than approximately $15,000, absent any unforeseen complications) and has agreed not to seek repayment of such expenses.

- Loans made by Cazador's Sponsor to Cazador in the aggregate amount of $334,930 as of June 11, 2012 to fund working capital requirements may not be repaid if the business combination does not occur.

Interests of Net Element Officers and Directors in the Business Combination

In considering the recommendation of the Net Element board to vote in favor of the proposal to approve and adopt the merger agreement, Net Element shareholders should be aware that some of Net Element's directors and executive officers may have interests in the merger that are different from, or in addition to, the interests of Net Element's shareholders generally. These interests may present them with actual or potential conflicts of interest, and these interests, to the extent material, are described below. The Net Element board was aware of these interests and considered them, among other matters, during its deliberations of the merits of the merger agreement and in determining to recommend to Net Element shareholders that they vote to approve and adopt the merger agreement and the other proposals to be brought before the special meeting. These potential conflicts of interest include:

- the retention of officers of Net Element as officers of Cazador;
- the designation of five directors of Net Element as directors of Cazador;
- continuation of various indemnification and insurance obligations;
- the treatment of restricted stock and Net Element stock options, warrants and other convertible securities held by Net Element executive officers and directors at the effective time;
- the contribution of shares of Net Element Common Stock held by the executive officers and directors of Net Element and affiliates of directors to Net Element;
- the conversion into approximately 818,182 shares of NEI Common Stock of outstanding convertible debt of Net Element owned by Enerfund (which is owned and controlled by Mike Zoi);
- the payment by NEI, immediately following the effectiveness of the merger, of approximately $2.5 million, in cash, to Enerfund (which is owned and controlled by Mike Zoi) representing payment in full of all then outstanding non-convertible loans, and accrued interest thereon, made by Enerfund to Net Element;

- share escrow and note transfer arrangements entered into between the executive officers of Net Element and Net Element's principal shareholders in connection with the merger; and

- the prior payment by Mike Zoi, through Enerfund, LLC (of which Mr. Zoi is the sole and managing member), on behalf of Cazador, of $150,000 of Cazador's legal fees in connection with the merger agreement and the merger and the agreement by Mr. Zoi, through Enerfund, LLC, to pay, on behalf of Cazador, additional legal fees of Cazador up to a maximum of $250,000 if the merger is not consummated or is otherwise terminated or abandoned.

Beneficial Ownership of Directors and Executive Officers

As of the close of business on , the record date for the Cazador special meeting, Cazador Sponsor, which includes all of Cazador's directors and executive officers, beneficially owned and was entitled to vote approximately % of the total outstanding Cazador Ordinary Shares on that date. The Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the business combination.

As of the close of business on , the record date for the Net Element special meeting, Net Element's directors and executive officers beneficially owned and were entitled to vote approximately % of the total outstanding Net Element Common Stock on that date. Specifically, Mike Zoi, Net Element's Chairman and Chief Executive Officer, owned, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of June 11, 2012 (67.2% assuming the exercise of options and warrants Mr. Zoi owns which are currently exercisable), and therefore holds enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder. Mr. Zoi intends to vote his shares "FOR" the approval and adoption of the merger agreement.

Employment; Employment Agreements: Severance Payments

Following the consummation of the business combination, Mike Zoi will serve as the Non-Executive Chairman of Cazador.

Although Cazador expects to enter into employment agreements with certain of its executive officers following the consummation of the business combination, it has not entered into any such employment agreements at this time.

None of Net Element's executive officers will be entitled to severance payments or continued benefits if their employment terminated as a result of the business combination. However, the vesting of certain of their securities will be accelerated in connection with the merger and, with respect to Net Element stock options that were granted to them under Net Element's 2011 Equity Incentive Plan in lieu of cash compensation in connection with compensation reductions previously implemented by Net Element, they will be given a choice to, immediately prior to the effective time of the merger, either (i) exercise such stock options that are "in-the-money" on a cashless basis and cancel such stock options that are "out-of-the-money" without any consideration therefor, or (ii) cancel all of such stock options (including those that are "in-the-money" and those that are "out-of-the-money") and be paid the amount of cash compensation that was previously foregone in connection with the compensation reductions.

Cazador Directors

Following the consummation of the business combination, Mike Zoi will serve as the Non-Executive Chairman of NEI and Francesco Piovanetti and Dmitry Kozko will serve as executive Directors of NEI. Additionally, pursuant to the terms of the merger agreement, four independent directors will be nominated by both Cazador and Net Element. For more information, see "Post-Merger NEI Executive Officers and Directors," beginning on page 210.

Indemnification and D&O Liability Insurance

Indemnification. The amended and restated certificate of incorporation and bylaws of NEI following the Cazador domestication will contain provisions no less favorable with respect to indemnification than those set forth in the certificate of incorporation and bylaws of Net Element.

D&O Liability Insurance. NEI intends to obtain directors' and officers' liability insurance policies not materially less favorable than those currently maintained by Net Element, with respect to all matters occurring prior to the effective time of the business combination.

Restricted Stock Ownership

Richard Lappenbusch, Net Element's Executive Vice President and Chief Strategy Officer, owns shares of Net Element Common Stock that are subject to vesting provisions. Under the merger agreement, effective as of the effective time of the merger, any outstanding shares of Net Element Common Stock that are unvested or subject to a repurchase option or risk of forfeiture will become fully vested. Mr. Lappenbusch will be entitled to the same rights as other holders of Net Element Common Stock with respect to these shares.

Accounting Treatment

The Cazador Domestication

There will be no accounting effect or change in the carrying amount of the consolidated assets and liabilities of Cazador Cayman as a result of the Cazador domestication. The business, capitalization, assets and liabilities and financial statements of Cazador will be the same upon effectiveness of the Cazador domestication as they are prior to the Cazador domestication.

The Merger

Both Cazador and Net Element prepare their financial statements in accordance with GAAP. In determining the accounting treatment of the transactions contemplated by the merger agreement, the respective management of Cazador and Net Element has evaluated all the criteria set forth in Accounting Concept Statement Topic 805-10, "*Business Combinations — Overall*" ("ASC 805-10"), which essentially provides that in identifying the acquiring entity in a combination effected through a transfer of additional assets and exchange of equity interest, all pertinent facts and circumstances must be considered, including the relative voting rights of the shareholders of the constituent companies in the combined entity, the composition of the board of directors and senior management of the combined company, the relative size of each company and the terms of the exchange of additional assets and equity securities in the business combination, including payment of any premium. There is no hierarchical guidance on determining the acquiror in a transaction effected through an exchange of equity interests.

Net Element has concluded that Cazador is not the accounting acquiror based on its evaluation of the following facts and circumstances of the merger.

- Net Element is the larger of the two entities and is the only operating company of the combining companies;
- six out of eight of the members of the NEI board following the completion of the merger will be appointed by Net Element. Five of these directors are currently members of the board of directors of Net Element;
- the current senior management of Net Element will continue to retain the majority of the senior management of NEI following completion of the merger;
- following completion of the business combination, the current holders of Net Element Common Stock will hold a majority of the issued and outstanding shares of NEI Common Stock, on a fully diluted basis, and, therefore, will have voting control of NEI; and
- Cazador is a blank check special purpose acquisition company formed for the sole purpose of effecting a business combination. Therefore, Cazador is considered a shell company with no operations, and, therefore, will essentially continue with Net Element's operations as its core business following completion of the business combination.

Based on the above facts, the respective management of Cazador and Net Element believe that Cazador is not considered as the accounting acquiror, and therefore, the merger contemplated by the merger agreement will be accounted for as a reverse recapitalization. The accounting of the merger will be similar to that of a capital infusion, as the only significant pre-merger assets of Cazador consist of cash and cash equivalents. No intangible assets or goodwill will be recognized as a result of the merger; accordingly, Net Element will record the shares of NEI Common Stock issued in exchange for shares of Net Element Common Stock based on the carrying value of the assets and liabilities received as of the closing date of the merger.

Listing of NEI Common Stock

The Cazador Ordinary Shares are listed on The NASDAQ Capital Market and trade under the symbol "CAZA." On , 2012, the latest practicable date before the printing of this proxy statement/prospectus, the last reported sale price of the Cazador Ordinary Shares on The NASDAQ Capital Market was $ per share. Cazador intends to apply to list the shares of NEI Common Stock on The NASDAQ Capital Market under the symbol "NETE." There can be no assurance that the NEI Common Stock will be listed on The NASDAQ Capital Market.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material U.S. federal income tax consequences of (i) the merger to U.S. holders (as defined below) of Net Element Common Stock and (ii) the Cazador domestication to U.S. holders of Cazador Ordinary Shares and Cazador Cayman warrants. The following also summarizes the material federal income tax consequences to non-U.S. holders of Cazador Ordinary Shares of owning and disposing of NEI Common Stock subsequent to the Cazador domestication. The summary applies to you only if you hold Net Element Common Stock, Cazador Ordinary Shares or Cazador Cayman warrants, as the case may be, as a capital asset within the meaning of Section 1221 of the Code.

This discussion is based upon current provisions of the Code, existing and proposed Treasury regulations and current administrative rulings and court decisions, all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the U.S. federal income tax consequences to vary substantially from the consequences described below. This discussion does not purport to be a complete discussion of all U.S. federal income tax consequences of the Cazador domestication, the merger, or of owning and disposing of NEI Common Stock subsequent to the Cazador domestication. In particular, this discussion does not address the U.S. federal income tax consequences applicable to shareholders of Cazador or Net Element that are subject to special treatment under U.S. federal income tax law, such as financial institutions, cooperatives, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, tax-exempt entities, partnerships and other pass-through entities, shareholders who hold their shares as part of a “hedge,” “straddle,” “conversion,” or “constructive sale” transaction, shareholders who are subject to the alternative minimum tax, shareholders who acquired their shares upon the exercise of employee stock options or otherwise as compensation or a person that actually or constructively owns 10% or more of Cazador Ordinary Shares or Net Element Common Stock (except as specifically provided below). This summary does not address any estate, gift, or other non-income tax consequences or any state, local or foreign tax consequences.

For purposes of this summary, a “U.S. holder” means a beneficial owner of Cazador Ordinary Shares or Cazador Cayman warrants or Net Element Common Stock, as the case may be, that, for U.S. federal income tax purposes, is: (i) a citizen or a resident of the United States; (ii) a corporation created or organized in or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (A) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) that has in effect a valid election under applicable Treasury regulations to be treated as a domestic trust. A “non-U.S. holder” means a beneficial owner of Cazador Ordinary Shares or Cazador Cayman warrants, that is, for U.S. federal income tax purposes, an individual, corporation, estate or trust and that is not a U.S. holder.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes is the owner of Cazador Ordinary Shares, Net Element Common Stock or Cazador Cayman warrants, as the case may be, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. If you are treated as a partner in such entity holding Cazador Ordinary Shares, Net Element Common Stock or Cazador Cayman warrants, as the case may be, you should consult your tax advisor as to the particular U.S. federal income tax consequences applicable to you.

YOU SHOULD CONSULT YOUR OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE MERGER OR THE CAZADOR DOMESTICATION, AS THE CASE MAY BE, AND OF OWNING AND DISPOSING OF NEI COMMON STOCK IN YOUR PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF U.S. FEDERAL (INCLUDING THE ALTERNATIVE MINIMUM TAX), STATE, LOCAL OR FOREIGN AND OTHER TAX LAWS (INCLUDING U.S. ESTATE TAX) AND OF CHANGES IN THOSE LAWS.

Material U.S. Federal Income Tax Consequences of the Merger

As a condition to the completion of the merger, each of Reed Smith, tax counsel to Cazador, and Bilzin, tax counsel to Net Element, must have delivered an opinion, dated the closing date of the merger, to the effect that the merger will be treated as a reorganization for U.S. federal income tax purposes within the meaning of Section 368(a) of the Code.

The tax opinions regarding the merger will not address any state, local or foreign tax consequences of the merger. These opinions will be subject to customary qualifications and assumptions, including that the merger will be completed according to the terms of the merger agreement. In rendering the tax opinions, each counsel will rely on representations and statements of Cazador, Net Element and their affiliates, which will be delivered at the time of the closing of the merger. If any such assumption, representation or statement is or becomes inaccurate, the U.S. federal income tax consequences of the merger could be adversely affected.

An opinion of counsel represents such counsel’s best legal judgment but is not binding on the IRS or any court. Neither Net Element nor Cazador intends to request any ruling from the IRS as to the U.S. federal income tax consequences of the merger. Consequently, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences set forth below or any of the tax consequences described in the tax opinions.

Based on representations contained in representation letters of officers of Cazador and Net Element and on customary factual assumptions, all of which must continue to be true and accurate in all material respects as of the effective time of the merger, and subject to the qualifications and limitations set forth above, it is the opinion of Reed Smith, counsel to Cazador, and Bilzin, counsel to Net Element, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. Based upon the foregoing, the material U.S. federal income tax consequences of the merger will be as described below.

Tax Consequences of the Merger to NEI, NEI’s Shareholders and Net Element

None of NEI, NEI's shareholders or Net Element will recognize gain or loss as a result of the merger.

Tax Consequences of the Merger to U.S. Holders of Net Element Common Stock

Exchange of Net Element Common Stock Solely for NEI Common Stock

A U.S. holder who exchanges its shares of Net Element Common Stock solely for shares of NEI Common Stock pursuant to the merger will not recognize gain or loss in connection with such exchange.

A U.S. holder's aggregate tax basis in the NEI Common Stock received in the merger will equal such U.S. holder's aggregate tax basis in the Net Element Common Stock surrendered by such U.S. holder in the merger. The holding period for the shares of NEI Common Stock received by such U.S. holder in the merger will include the U.S. holder's holding period for the shares of Net Element Common Stock exchanged therefor.

Exercise of Appraisal Rights of Net Element Common Stock

A U.S. holder who receives cash pursuant to the exercise of appraisal rights generally will recognize capital gain or loss measured by the difference between the amount of the cash received and such U.S. holder's adjusted tax basis in its Net Element Common Stock surrendered upon exercise of such appraisal rights.

Material U.S. Federal Income Tax Consequences of the Cazador Domestication

In the opinion of Reed Smith, tax counsel to Cazador, the Cazador domestication will constitute a reorganization within the meaning of Section 368(a)(l)(F) of the Code. U.S. holders of Cazador Ordinary Shares will be subject to Section 367(b) of the Code. Based upon the foregoing, the material U.S. federal income tax consequences of the Cazador domestication will be as described below.

The tax opinion regarding the Cazador domestication will not address any state, local or foreign tax consequences of the Cazador domestication. The opinions will be subject to customary qualifications and assumptions, including that the Cazador domestication will be completed as described herein. In rendering the tax opinion, Reed Smith will require and rely on representations and statements of Cazador and their affiliates, which will be delivered at the time of the closing of the Cazador domestication. If any such assumption, representation or statement is or becomes inaccurate, the U.S. federal income tax consequences of the Cazador domestication could be adversely affected.

An opinion of counsel represents such counsel's best legal judgment but is not binding on the IRS or any court. Cazador does not intend to request any ruling from the IRS as to the U.S. federal income tax consequences of the Cazador domestication. Consequently, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences set forth below or any of the tax consequences described in the tax opinion.

Tax Consequences to Cazador Cayman and NEI of the Cazador Domestication

Neither Cazador Cayman nor NEI will recognize gain or loss as a result of the Cazador domestication. Cazador Cayman's taxable year will close as of the end of the closing date of the Cazador domestication.

Tax Consequences of the Cazador Domestication to U.S. Holders of Cazador Ordinary Shares

Subject to the discussion of the PFIC rules below, set forth below is a summary of the U.S. federal income tax consequences of the Cazador domestication to U.S. holders of Cazador Ordinary Shares.

U.S. Holders of Cazador Ordinary Shares Whose Cazador Ordinary Shares Have A Fair Market Value Of Less Than $50,000

A U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of less than $50,000 on the day of the Cazador domestication will not recognize any gain or loss and will not be required to include any part of the "all earnings and profits amount" (as described below) in income.

U.S. Holders of Cazador Ordinary Shares Whose Cazador Ordinary Shares Have a Fair Market Value of $50,000 or More and Who Own (Actually and Constructively) 10% or More of the Voting Power of Cazador Cayman

A U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of $50,000 or more, and who on the day of the Cazador domestication owns (actually and constructively) 10% or more of the total combined voting power of all classes of Cazador Cayman shares entitled to vote generally will be required to include in income as a dividend the "all earnings and profits amount," as the term is defined in Treasury Regulation Section 1.367(b)-2(d), attributable to the Cazador Ordinary Shares it directly owns. However, Cazador does not expect that Cazador Cayman's cumulative earnings and profits will be greater than zero as of the day of the Cazador domestication. A U.S. holder's ownership of Cazador Cayman warrants will be taken into account in determining whether such U.S. holder owns 10% or more of the total combined voting power of all classes of Cazador Cayman shares. Complex attribution rules apply in determining whether, for U.S. federal tax purposes, a U.S. holder owns 10% or more of the total combined voting power of all classes of Cazador Cayman shares entitled to vote. **U.S. HOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS.**

U.S. Holders of Cazador Ordinary Shares Whose Cazador Ordinary Shares Have a Fair Market Value of $50,000 or More But Who Own (Actually and Constructively) Less than 10% of the Voting Power of Cazador Cayman

A U.S. holder of Cazador Ordinary Shares whose Cazador Ordinary Shares have a fair market value of $50,000 or more but who on the day of the Cazador domestication owns (actually and constructively) less than 10% of the total combined voting power of all classes of Cazador Cayman shares entitled to vote generally will recognize gain (but not loss) on the exchange of Cazador Ordinary Shares for NEI Common Stock pursuant to the Cazador domestication.

Such gain generally will equal the excess (if any) of the fair market value of the NEI Common Stock received in the Cazador domestication over the U.S. holder's adjusted tax basis in the Cazador Ordinary Shares surrendered in the Cazador domestication. Any such gain should be long-term capital gain if the U.S. holder held the Cazador Ordinary Shares for longer than one year as of the date of the Cazador domestication. Long-term capital gains of non-corporate taxpayers that are recognized in taxable years beginning before January 1, 2013 generally are subject to a maximum U.S. federal income tax rate of 15%.

As an alternative to recognizing gain, however, a U.S. holder may elect to include in income as a dividend the "all earnings and profits amount," as the term is defined in Treasury Regulation Section 1.367(b)-2(d), attributable to the Cazador Ordinary Shares it directly owns. There are, however, strict conditions for making this election. The election must comply with the requirements of Treasury Regulation Sections 1.367(b)-1(c) and 1.367(b)-3(c)(3) and must include, among other things: (i) a statement that the Cazador domestication is a Section 367(b) exchange; (ii) a complete description of the Cazador domestication; (iii) a description of any stock, securities or other consideration transferred or received in the Cazador domestication; (iv) a statement describing the amounts required to be taken into account for U.S. federal income tax purposes; (v) a statement that the U.S. holder is making the election that includes (A) a copy of the information that the U.S. holder received from Cazador establishing and substantiating the U.S. holder's "all earnings and profits" amount with respect to the U.S. holder's Cazador Ordinary Shares, and (B) a representation that the U.S. holder has notified Cazador that such U.S. holder is making such election; and (vi) certain other information required to be furnished with the U.S. holder's tax return or otherwise furnished pursuant to the Code or the Treasury regulations thereunder. Additionally, the notice/election must be attached by the U.S. holder to its timely filed U.S. federal income tax return for the taxable year during which the Cazador domestication occurs, and the U.S. holder must send notice to Cazador of the election no later than the date the notice is filed. In connection with the election, Cazador intends to provide all U.S. holders eligible to make such an election with information regarding Cazador Cayman's earnings and profits amount upon request.

U.S. HOLDERS ARE STRONGLY URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING WHETHER TO MAKE THIS ELECTION AND, IF THE ELECTION IS DETERMINED TO BE ADVISABLE, THE APPROPRIATE FILING REQUIREMENTS WITH RESPECT TO THIS NOTICE/ELECTION.

Cazador does not expect that Cazador Cayman's cumulative earnings and profits will be greater than zero as of the day of the Cazador domestication. Therefore, based on such expectation, making an election to include the "all earnings and profits amount" attributable to the Cazador Ordinary Shares into income as a dividend generally would be advantageous to U.S. holders who would otherwise recognize gain with respect to the exchange of Cazador Ordinary Shares for NEI Common Stock in the Cazador domestication. **WE STRONGLY URGE EACH SUCH U.S. HOLDER TO CONSULT ITS OWN TAX ADVISOR.**

Tax Basis and Holding Period

A U.S. holder's adjusted tax basis in the NEI Common Stock received in the Cazador domestication generally will equal the U.S. holder's adjusted tax basis in its Cazador Ordinary Shares, increased by the amount of gain (if any) recognized, or the deemed dividend (if any) included in income. The determination of the holding period in respect of stock that is subject to Section 367(b) of the Code is uncertain, but it is generally reasonable for a U.S. holder's holding period in the NEI Common Stock received in the Cazador domestication to include the U.S. holder's holding period for the Cazador Ordinary Shares exchanged therefor. It is also possible that a U.S. holder may have a split holding period in respect of NEI Common Stock received in the Cazador domestication if the U.S. holder's tax basis in such NEI Common Stock is determined in part by reference to any amount of gain or dividend income that is taken into account in respect of the Cazador domestication. **WE STRONGLY URGE EACH SUCH U.S. HOLDER TO CONSULT ITS OWN TAX ADVISOR.**

Tax Consequences for U.S. Holders of Cazador Cayman Warrants

Although the matter is not free from doubt, and subject to the considerations described below relating to PFIC considerations, a U.S. holder of Cazador Cayman warrants should not be subject to U.S. federal income tax with respect to the exchange of such warrants for NEI warrants.

Passive Foreign Investment Company Considerations

Section 1291(f) of the Code generally requires that, to the extent provided in Treasury regulations, a U.S. person who disposes of stock of a PFIC must recognize gain equal to the excess of the fair market value of such PFIC stock over its adjusted tax basis, notwithstanding any other provision of the Code. No final Treasury regulations have been promulgated under this statute. However, proposed Treasury regulations were promulgated in 1992 with a retroactive effective date.

Because Cazador Cayman should be considered a PFIC for U.S. federal income tax purposes, these regulations, if finalized in their current form, generally would require U.S. holders of Cazador Ordinary Shares to recognize gain on the exchange of Cazador Ordinary Shares for NEI Common Stock pursuant to the Cazador domestication (unless the U.S. holder has made a "qualified electing fund" election under Section 1295 of the Code, with respect to its Cazador Ordinary Shares for the first taxable year in which such U.S. holder owns such shares or in which Cazador Cayman is a PFIC, whichever is later, or a "mark-to-market" election under Section 1296 of the Code) regardless of whether or the extent to which such U.S. holder would otherwise have been subject to U.S. federal income tax upon such exchange. Furthermore, (i) any such gain would be allocated ratably over the U.S. holder's holding period for the Cazador Ordinary Shares surrendered in the Cazador domestication; (ii) the amount of gain allocated to the current taxable year would be treated as ordinary income; and (iii) the amount of gain allocated to each other year would be subject to the highest tax rate in effect for that year, and an interest charge would be imposed to recover the deemed benefit of the deferred payment of tax. The same rule should also apply to a U.S. holder who exchanges Cazador Cayman warrants for NEI warrants. However, we are unable to predict at this time whether, in what form, and with what effective date, final Treasury regulations under Section 1291(f) of the Code will be adopted.

Tax Consequences to Holders of Public Cazador Ordinary Shares Exercising Redemption Rights

A U.S. holder of Public Cazador Ordinary Shares who exercises redemption rights to receive cash in exchange for its Public Cazador Ordinary Shares generally will be required to recognize gain or loss amount equal to the difference, if any, between the amount of cash received and the tax basis of the Public Cazador Ordinary Shares redeemed. A shareholder's tax basis in its Public Cazador Ordinary Shares generally will equal the cost of such shares. A shareholder who purchased Cazador units in Cazador's initial pub