

Cazador Acquisition Corp Ltd.
Form S-4/A
August 23, 2012

As filed with the Securities and Exchange Commission on August 23, 2012

Registration No. 333-182076

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**AMENDMENT NO. 3 TO
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*
(State or other jurisdiction of
incorporation or organization)

6770
(Primary Standard Industrial
Classification Code Number)

98-0668024
(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:

Yvan-Claude Pierre, Esq.
William N. Haddad, Esq.
Reed Smith LLP
599 Lexington Avenue
New York, NY 10022
Telephone: (212) 521-5400
Facsimile: (212) 521-5450

Serge V. Pavluk, Esq.
David Schubauer, Esq.
Bilzin Sumberg Baena Price & Axelrod LLP
1450 Brickell Avenue, 23rd Floor
Miami, FL 33131
Telephone: (305) 350-7237
Facsimile: (305) 351-2294

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

Edgar Filing: Cazador Acquisition Corp Ltd. - Form S-4/A

company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

TABLE OF CONTENTS**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 ⁽⁷⁾

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

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

(2) 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.

Estimated solely for the purpose of calculating the registration fee, based on the average of the high and low prices (3) 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).

The number of shares of common stock of Net Element International being registered includes all ordinary shares (4) 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.

Upon effectiveness of the Cazador domestication, all outstanding warrants to acquire ordinary shares of Cazador (5) 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.

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

(7) Previously paid by Cazador Acquisition Corporation Ltd.

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.

TABLE OF CONTENTS

**PRELIMINARY SUBJECT TO COMPLETION DATED
AUGUST 23, 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 cash 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 is 0.025 shares of NEI Common Stock per share of Net Element Common Stock, which reflects a 66% premium over the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system of \$0.15 per share on August 21, 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, although no such events are currently contemplated. However, 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

TABLE OF CONTENTS

Stock. 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, and assuming cashless exercise of outstanding warrants and options of Net Element and that no holders of Public Cazador Ordinary Shares exercise their redemption rights), the former shareholders of Net Element are expected to own approximately 80.9% of the outstanding NEI Common Stock (or approximately 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 approximately 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 September 28, 2012 and Net Element will hold a special meeting of Net Element shareholders on September 28, 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. As of August 21, 2012, the Sponsor beneficially owned and was entitled to vote approximately 20.0% of the total outstanding Cazador Ordinary Shares on that date.

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 August 21, 2012 (67.2% assuming a cashless 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. Following consummation of the merger, Mr. Zoi will control approximately 54.3% of NEI's voting power if no holders of Public

Cazador Ordinary Shares exercise their redemption rights described below (or approximately 58.7% of NEI's voting power if the maximum permissible number of holders of Public Cazador Ordinary Shares exercise their redemption rights whereby Cazador may proceed with the merger). As a result, Mr. Zoi will have the ability to exert significant influence over NEI's corporate affairs and to control the outcome of virtually all matters submitted to a vote of NEI's shareholders. Mr. Zoi's interests may conflict with or differ from the interests of NEI's other shareholders.

TABLE OF CONTENTS

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. However, although an abstention or failure to vote on the business combination will have the same effect as a vote against the business combination, such abstention or failure to vote will not be sufficient to enable holders of Public Cazador Ordinary Shares to exercise their redemption rights. 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 August 21, 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 31.**

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.

TABLE OF CONTENTS

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

Sincerely,
/s/ Mike Zoi
Mike Zoi
Chief Executive Officer
Net Element, Inc.

TABLE OF CONTENTS

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.

TABLE OF CONTENTS

**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 September 28, 2012**

To Our Shareholders:

A special meeting of shareholders of Cazador Acquisition Corporation Ltd. (**Cazador**) will be held at the offices of Reed Smith LLP located at 599 Lexington Avenue, New York, New York 10022 on September 28, 2012, at 10:00 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. If, and only if, the merger agreement is approved and adopted, 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 August 27, 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 August 27, 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. HOWEVER, ALTHOUGH AN ABSTENTION OR FAILURE TO VOTE ON THE BUSINESS COMBINATION WILL HAVE THE SAME EFFECT AS A VOTE AGAINST THE BUSINESS COMBINATION, SUCH ABSTENTION OR FAILURE TO VOTE WILL NOT BE SUFFICIENT TO ENABLE HOLDERS OF PUBLIC CAZADOR ORDINARY SHARES TO EXERCISE THEIR REDEMPTION RIGHTS. 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),

TABLE OF CONTENTS

DIVIDED BY THE NUMBER OF PUBLIC CAZADOR ORDINARY SHARES. AS OF AUGUST 21, 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. As of August 21, 2012, the Sponsor beneficially owned and was entitled to vote approximately 20.0% of the total outstanding Cazador Ordinary Shares on that date.

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 August 21, 2012 (67.2% assuming a cashless 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. Following consummation of the merger, Mr. Zoi will control approximately 54.3% of NEI's voting power if no holders of Public Cazador Ordinary Shares exercise their redemption rights described below (or approximately 58.7% of NEI's voting power if the maximum permissible number of holders of Public Cazador Ordinary Shares exercise their redemption rights whereby Cazador may proceed with the merger). As a result, Mr. Zoi will have the ability to exert significant influence over NEI's corporate affairs and to control the outcome of virtually all matters submitted to a vote of NEI's shareholders. Mr. Zoi's interests may conflict with or differ from the interests of NEI's other shareholders.

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.

Edgar Filing: Cazador Acquisition Corp Ltd. - Form S-4/A

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.

TABLE OF CONTENTS

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

TABLE OF CONTENTS

**NET ELEMENT, INC.
1450 S. Miami Avenue
Miami, Florida 33130**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
to be held on September 28, 2012**

To Our Shareholders:

A special meeting of shareholders of Net Element, Inc. (Net Element) will be held at the offices of Reed Smith LLP located at 599 Lexington Avenue, New York, New York 10022 on September 28, 2012, at 11:00 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 August 27, 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 August 27, 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. As of

Edgar Filing: Cazador Acquisition Corp Ltd. - Form S-4/A

August 21, 2012, the Sponsor beneficially owned and was entitled to vote approximately 20.0% of the total outstanding Cazador Ordinary Shares on that date.

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 August 21, 2012 (67.2% assuming a cashless 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. Following consummation of the merger, Mr. Zoi will control approximately 54.3% of NEI's voting power if no holders of Public Cazador Ordinary Shares exercise any redemption rights afforded to them (or approximately 58.7% of NEI's voting power if the maximum permissible number of holders of Public Cazador Ordinary Shares exercise their redemption rights whereby Cazador may proceed with the merger). As a result, Mr. Zoi will have the ability to exert significant influence over NEI's corporate affairs and to control the outcome of virtually all matters submitted to a vote of NEI's shareholders. Mr. Zoi's interests may conflict with or differ from the interests of NEI's other shareholders.

TABLE OF CONTENTS

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

TABLE OF CONTENTS

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:

If you are a Cazador shareholder:
MORROW & CO., LLC
470 West Avenue
Stamford, CT 06902
Telephone: (800) 662-5200

If you are a Net Element shareholder:
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 September 20, 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 208 of the accompanying joint proxy statement/prospectus.

TABLE OF CONTENTS

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. You can typically identify forward-looking statements by the use of forward-looking words, such as may, will, could, project, believe, and expect, estimate, continue, potential, 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 31, 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;

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 31.

TABLE OF CONTENTS

TABLE OF CONTENTS

	Page
<u>FORWARD-LOOKING STATEMENTS</u>	i
<u>QUESTIONS AND ANSWERS</u>	1
<u>General Questions and Answers</u>	1
<u>Questions and Answers for Cazador Shareholders</u>	5
<u>Questions and Answers for Net Element Shareholders</u>	12
<u>SUMMARY</u>	15
<u>Parties to the Business Combination</u>	15
<u>The Proposed Business Combination</u>	16
<u>Total Shares of NEI Common Stock to be Issued as Merger Consideration</u>	17
<u>Comparative Per Share Market Price</u>	17
<u>Cazador Special Meeting</u>	18
<u>Recommendation of the Cazador Board</u>	19
<u>Net Element Special Meeting</u>	19
<u>Recommendation of the Net Element Board</u>	20
<u>Interests of Officers and Directors in the Business Combination</u>	20
<u>Material U.S. Federal Income Tax Consequences</u>	21
<u>Officers and Directors of NEI</u>	23
<u>Listing of NEI Common Stock</u>	23
<u>Comparison of Shareholder Rights</u>	24
<u>SELECTED UNAUDITED PRO FORMA CONSOLIDATED COMBINED FINANCIAL INFORMATION</u>	25
<u>COMPARATIVE PER SHARE DATA</u>	29
<u>MARKET PRICE AND DIVIDEND INFORMATION</u>	30
<u>RISK FACTORS</u>	31
<u>Risks Factors Relating to Cazador</u>	31
<u>Risks Factors Relating to Net Element</u>	36
<u>Risk Factors Relating to the Business Combination</u>	44
<u>INFORMATION ABOUT CAZADOR</u>	55
<u>Overview</u>	55
<u>Shareholder Redemption Rights</u>	55
<u>Fair Market Value of Target Business</u>	58
<u>Controlling Interest in Target Business</u>	58
<u>Opportunity for Shareholder Approval of Business Combination</u>	59
<u>Liquidation If No Business Combination</u>	59
<u>Competition</u>	61
<u>Employees</u>	61
<u>Property, Plant and Equipment</u>	61
<u>Legal Proceedings</u>	61
<u>Periodic Reporting and Financial Information</u>	61
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	61
<u>Directors and Executive Officers</u>	65
<u>Family Relationships</u>	67
<u>Director Independence</u>	67
<u>Terms of Office of Directors and Officers</u>	67

<u>Audit Committee and Audit Committee Financial Expert</u>	<u>67</u>
<u>Nominating Committee</u>	<u>68</u>
<u>Code of Ethics and Board Committee Charters</u>	<u>68</u>

TABLE OF CONTENTS

	Page
<u>Limitations on Liability and Indemnification of Directors and Officers</u>	70
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	71
<u>Executive Compensation</u>	71
<u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u>	71
<u>Certain Relationships, Related Transactions and Director Independence</u>	73
<u>INFORMATION ABOUT NET ELEMENT</u>	76
<u>Business Description</u>	76
<u>Development of Business</u>	82
<u>Proprietary Technologies</u>	85
<u>Other Technology Advancements</u>	86
<u>Development Team</u>	86
<u>Product Development</u>	86
<u>Regulation</u>	87
<u>Competition</u>	87
<u>Employees</u>	89
<u>Properties</u>	89
<u>Legal Proceedings</u>	89
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	90
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	106
<u>Directors, Executive Officers And Corporate Governance</u>	107
<u>Shareholder Rights Agreement</u>	109
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	110
<u>Code of Ethics and Governance Guidelines</u>	110
<u>Committees of the Net Element Board</u>	111
<u>Executive Compensation</u>	111
<u>Director Compensation</u>	113
<u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u>	114
<u>Change in Control</u>	116
<u>Equity Compensation Plan Information</u>	117
<u>Certain Relationships, Related Transactions and Director Independence</u>	117
<u>Director Independence</u>	121
<u>THE SPECIAL MEETING OF CAZADOR SHAREHOLDERS</u>	122
<u>Date, Time and Place of the Cazador Special Meeting</u>	122
<u>Purpose of the Cazador Special Meeting</u>	122
<u>Record Date; Outstanding Shares Entitled to Vote</u>	122
<u>Ownership of Cazador Ordinary Shares</u>	122
<u>Quorum</u>	122
<u>Vote Required</u>	122
<u>Recommendation of the Cazador Board</u>	123
<u>Voting by Cazador's Directors, Executive Officers and Sponsor</u>	123
<u>How to Vote</u>	124
<u>Attending the Cazador Special Meeting</u>	124
<u>Voting of Proxies</u>	124
<u>Voting of Cazador Ordinary Shares Held in Street Name</u>	124

Revoking your Proxy
Proxy Solicitations

125
125

TABLE OF CONTENTS

	Page
<u>Other Business</u>	125
<u>Adjournments</u>	125
<u>CAZADOR PROPOSAL NO. 1 APPROVAL AND ADOPTION OF THE MERGER AGREEMENT</u>	127
<u>Vote Required for Approval</u>	127
<u>Recommendation of the Cazador Board</u>	127
<u>CAZADOR PROPOSAL NO. 2 APPROVAL OF THE CAZADOR DOMESTICATION</u>	128
<u>Vote Required for Approval</u>	128
<u>Recommendation of the Cazador Board</u>	128
<u>CAZADOR PROPOSAL NO. 3 ADJOURNMENT OF SPECIAL MEETING</u>	129
<u>Vote Required for Approval</u>	129
<u>Recommendation of the Cazador Board</u>	129
<u>THE SPECIAL MEETING OF NET ELEMENT SHAREHOLDERS</u>	130
<u>Date, Time and Place of the Net Element Special Meeting</u>	130
<u>Purpose of the Net Element Special Meeting</u>	130
<u>Record Date; Outstanding Shares Entitled to Vote</u>	130
<u>Ownership of Net Element Common Stock</u>	130
<u>Quorum</u>	130
<u>Vote Required</u>	130
<u>Recommendation of the Net Element Board</u>	131
<u>Voting by Net Element s Directors and Officers</u>	131
<u>How to Vote</u>	131
<u>Attending the Net Element Special Meeting</u>	132
<u>Voting of Proxies</u>	132
<u>Voting of Net Element Common Stock Held in Street Name</u>	132
<u>Revoking your Proxy</u>	133
<u>Proxy Solicitations</u>	133
<u>Other Business</u>	133
<u>Adjournments and Postponements</u>	133
<u>NET ELEMENT PROPOSAL NO. 1 APPROVAL AND ADOPTION OF THE MERGER AGREEMENT</u>	134
<u>Vote Required for Approval</u>	134
<u>Recommendation of the Net Element Board</u>	134
<u>NET ELEMENT PROPOSAL NO. 2 ADJOURNMENT OF SPECIAL MEETING</u>	135
<u>Vote Required for Approval</u>	135
<u>Recommendation of the Net Element Board</u>	135
<u>THE BUSINESS COMBINATION</u>	136
<u>General Description of the Business Combination</u>	136
<u>Background of the Business Combination</u>	137
<u>The Cazador Domestication</u>	139
<u>Recommendation of the Cazador Board; Cazador s Reasons for the Business Combination</u>	142
<u>Consequences to Cazador if the Business Combination Is Not Approved</u>	144
<u>Redemption Rights of Cazador Shareholders</u>	144
<u>Recommendation of the Net Element Board; Net Element s Reasons for the Business Combination</u>	147
<u>Interests of Officers and Directors in the Business Combination</u>	150
<u>Accounting Treatment</u>	153

Listing of NEI Common Stock

154

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

155

iv

TABLE OF CONTENTS

	Page
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	<u>155</u>
<u>Material U.S. Federal Income Tax Consequences of the Cazador Domestication</u>	<u>156</u>
<u>THE MERGER AGREEMENT</u>	<u>162</u>
<u>Description of the Merger Agreement</u>	<u>162</u>
<u>POST-MERGER PRO FORMA SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF NEI</u>	<u>170</u>
<u>POST-MERGER NEI EXECUTIVE OFFICERS AND DIRECTORS</u>	<u>173</u>
<u>Biographical Information</u>	<u>173</u>
<u>Director Independence</u>	<u>176</u>
<u>Committees of the NEI Board</u>	<u>176</u>
<u>Executive Officer and Director Compensation</u>	<u>177</u>
<u>Compensation of the NEI Board and Executive Officers</u>	<u>178</u>
<u>UNAUDITED PRO FORMA CONSOLIDATED COMBINED FINANCIAL INFORMATION</u>	<u>179</u>
<u>DESCRIPTION OF NEI SECURITIES</u>	<u>188</u>
<u>General</u>	<u>188</u>
<u>Authorized Capital Stock</u>	<u>188</u>
<u>Common Stock</u>	<u>188</u>
<u>Preferred Stock</u>	<u>189</u>
<u>Outstanding Warrants</u>	<u>189</u>
<u>Anti-Takeover Effects of Delaware Law and Provisions of NEI s Amended and Restated Certificate of Incorporation</u>	<u>189</u>
<u>Transfer Agent</u>	<u>190</u>
<u>Registration Rights</u>	<u>190</u>
<u>COMPARISON OF SHAREHOLDER RIGHTS</u>	<u>192</u>
<u>SECURITIES ACT RESTRICTIONS ON RESALE OF NEI COMMON STOCK</u>	<u>207</u>
<u>LEGAL MATTERS</u>	<u>207</u>
<u>EXPERTS</u>	<u>207</u>
<u>ENFORCEABILITY OF CIVIL LIABILITY</u>	<u>208</u>
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	<u>208</u>
<u>ANNEXES</u>	<u>209</u>

TABLE OF CONTENTS

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 208. 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).

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

TABLE OF CONTENTS

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, and assuming cashless exercise of outstanding warrants and options of Net Element and that no holders of Public Cazador Ordinary Shares exercise their redemption rights), the former shareholders of Net Element are expected to own approximately 80.9% of the outstanding NEI Common Stock (or approximately 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 approximately 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 168.

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

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

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.

TABLE OF CONTENTS

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 155.

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.

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

TABLE OF CONTENTS

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 124 and *The Special Meeting of Net Element Shareholders How to Vote* beginning on page 131. **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 Morrow & Co., LLC, or Morrow, by mail at 470 West Avenue, Stamford, CT 06902, or by telephone at (800) 662-5200

TABLE OF CONTENTS

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.

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. Additionally, Cazador must acquire at least a controlling interest in a target business (meaning more than 50% of the voting securities of such target business), although after consummating a business combination with a target business, holders of Cazador Ordinary Shares may own less than a majority of the voting securities of the combined businesses.

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, which was the date immediately preceding the public announcement of the merger). 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. 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. Although, following completion of the business combination, 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), Cazador concluded that it is acquiring a controlling interest in Net Element since, pursuant to the terms of the merger agreement, Cazador will acquire 100% of the voting securities of Net Element.

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,

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

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

TABLE OF CONTENTS

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.

Q: Why is Cazador proposing the Cazador domestication?

A: Although, pursuant to the merger agreement, Net Element will merge with and into Cazador, with Cazador as the surviving entity, the operations of Net Element will become the core business of the combined entity following completion of the merger. Net Element believes that being a Delaware corporation increases its ability to attract long-term investors. As a result, Net Element's key shareholders required that it be 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. If, however, the merger agreement is not approved and adopted by Cazador's shareholders, then the Cazador domestication will not be submitted to Cazador's shareholders for approval.

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)(1)(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.

6

TABLE OF CONTENTS

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 158.

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 156.

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

A: The Cazador special meeting will be held at the offices of Reed Smith LLP located at 599 Lexington Avenue, New York, New York 10022 on September 28, 2012, at 10:00 a.m., 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 August 27, 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.

7

TABLE OF CONTENTS

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. If, however, the Cazador domestication proposal is approved, but the Cazador merger proposal is not approved, then neither the Cazador domestication nor the merger will be consummated.

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. As of August 21, 2012, the Sponsor beneficially owned and was entitled to vote approximately 20.0% of the total outstanding Cazador Ordinary Shares on that date.

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 142.

8

TABLE OF CONTENTS

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. However, although an abstention or failure to vote on the business combination will have the same effect as a vote against the business combination, such abstention or failure to vote will not be sufficient to enable holders of Public Cazador Ordinary Shares to exercise their redemption rights. 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 August 21, 2012, the per-share redemption price would be approximately \$10.036.

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.

Holders of outstanding Cazador units must separate the underlying Public Cazador Ordinary Shares and Cazador warrants prior to exercising redemption rights with respect to the Public Cazador Ordinary Shares. There will be no redemption rights upon consummation of the merger with respect to outstanding Cazador warrants.

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: You may exercise your redemption rights regardless of whether you vote your Public Cazador Ordinary Shares for or against the business combination or other proposals submitted for approval by shareholders. However, although an abstention or failure to vote on the business combination will have the same effect as a vote against the business

combination, such abstention or failure to vote will not be sufficient to enable you to exercise your redemption rights with respect to your Public Cazador Ordinary Shares.

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, 8 Floor, New York, New York 10004, attn: Mark Zimkind, stating that you are exercising your redemption rights and demanding that your Public Cazador Ordinary Shares be converted into cash; and

9

TABLE OF CONTENTS

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 5:00 p.m. Eastern time on September 27, 2012; or
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 5:00 p.m. Eastern time on September 27, 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.

Holders of outstanding Cazador units must separate the underlying Public Cazador Ordinary Shares and Cazador warrants prior to exercising redemption rights with respect to the Public Cazador Ordinary Shares. You may instruct your broker to do so, or if you hold Cazador units registered in your own name, you must contact the depository directly and instruct them to do so. If you fail to cause your Public Cazador Ordinary Shares to be separated and delivered to Cazador's transfer agent by 5:00 p.m. Eastern time on September 27, 2012, you will not be able to exercise your redemption rights with respect to your Public Cazador Ordinary Shares.

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

Q: How do I exercise my redemption rights?

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

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,

TABLE OF CONTENTS

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.

On the effective date of the Cazador domestication, the outstanding units of Cazador will be automatically separated into the underlying Cazador Ordinary Shares and Cazador warrants. As a result, the Cazador units will no longer be listed on The NASDAQ Capital Market.

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

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

Q: If I am a Cazador unit holder, can I exercise redemption rights with respect to my units?

A: No. Holders of outstanding Cazador units must separate the underlying Public Cazador Ordinary Shares and Cazador warrants prior to exercising redemption rights with respect to the Public Cazador Ordinary Shares. You may instruct your broker to do so, or if you hold Cazador units registered in your own name, you must contact the depository directly and instruct them to do so. If you fail to cause your Public Cazador Ordinary Shares to be separated and delivered to Cazador's transfer agent by 5:00 p.m. Eastern time on September 27, 2012, you will not be able to exercise your redemption rights with respect to your Public Cazador Ordinary Shares.

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.

Q: How will the solicitation of proxies be handled?

A: 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 Morrow to assist in the solicitation and distribution of the proxies, for an initial fee of \$12,500 plus out-of-pocket expenses. Cazador will pay Morrow an additional fee of \$25,000 upon successful completion of the business combination.

Cazador 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 Cazador Ordinary Shares.

TABLE OF CONTENTS

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 147.

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 is 0.025 shares of NEI Common Stock per share of Net Element Common Stock, which reflects a 66% premium over the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system of \$0.15 per share on August 21, 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, although no such events are currently contemplated. However, 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. 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

12

TABLE OF CONTENTS

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 the offices of Reed Smith LLP located at 599 Lexington Avenue, New York, New York 10022 on September 28, 2012, at 11:00 a.m., 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 August 27, 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.

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 August 21, 2012 (67.2% assuming a cashless 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. Following consummation of the merger, Mr. Zoi will control approximately 54.3% of NEI's voting power if no holders of Public Cazador Ordinary Shares exercise their redemption

TABLE OF CONTENTS

rights (or approximately 58.7% of NEI's voting power if the maximum permissible number of holders of Public Cazador Ordinary Shares exercise their redemption rights whereby Cazador may proceed with the merger). As a result, Mr. Zoi will have the ability to exert significant influence over NEI's corporate affairs and to control the outcome of virtually all matters submitted to a vote of NEI's shareholders. Mr. Zoi's interests may conflict with or differ from the interests of NEI's other shareholders.

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 147.

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 163. 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.

TABLE OF CONTENTS

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 208.

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.

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 Music 1, 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.

TABLE OF CONTENTS

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.

The Proposed Business Combination

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 cash 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 136, and for additional information on the merger agreement and the related transaction documents, see The Merger Agreement beginning on page 162.

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. If, however, the Cazador domestication proposal is approved, but the Cazador merger proposal is not

approved, then neither the Cazador domestication nor the merger will be consummated.

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.

TABLE OF CONTENTS

On the effective date of the Cazador domestication, the outstanding units of Cazador will be automatically separated into the underlying Cazador Ordinary Shares and Cazador warrants. As a result, the Cazador units will no longer be listed on The NASDAQ Capital Market.

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 is 0.025 shares of NEI Common Stock per share of Net Element Common Stock, which reflects a 66% premium over the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system of \$0.15 per share on August 21, 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, although no such events are currently contemplated. However, 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. 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 188.

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 24.4 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, and assuming cashless exercise of outstanding warrants and options of Net Element and that no holders of Public Cazador Ordinary Shares exercise their redemption rights), the former shareholders of Net Element are expected to own approximately 80.9% of the outstanding NEI Common Stock (or approximately 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 approximately 34.4% of the outstanding NEI Common Stock calculated on a fully diluted basis). Additionally, following consummation of the merger, Mike Zoi, Net Element's Chairman and Chief Executive Officer, will control approximately 54.3% of NEI's voting power if no holders of Public Cazador Ordinary Shares exercise their redemption rights (or approximately 58.7% of NEI's voting power if the maximum permissible number of holders of Public Cazador Ordinary Shares

exercise their redemption rights whereby Cazador may proceed with the merger). As a result, Mr. Zoi will have the ability to exert significant influence over NEI's corporate affairs and to control the outcome of virtually all matters submitted to a vote of NEI's shareholders. Mr. Zoi's interests may conflict with or differ from the interests of NEI's other shareholders.

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.

TABLE OF CONTENTS

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 the offices of Reed Smith LLP located at 599 Lexington Avenue, New York, New York 10022 on September 28, 2012, at 10:00 a.m., 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 August 27, 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

TABLE OF CONTENTS

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 142.

Net Element Special Meeting

Date, Time and Place

A special meeting of the shareholders of Net Element will be held at the offices of Reed Smith LLP located at 599 Lexington Avenue, New York, New York 10022 on September 28, 2012, at 11:00 a.m., 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.

19

TABLE OF CONTENTS

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 147.

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, in the case of Net Element, immediately prior to the

effectiveness of the merger, the principal amounts of all outstanding convertible debt of Net Element owned by Enerfund, LLC, a Florida limited liability company (which is owned and controlled by Mike Zoi and totals \$3.6 million) will be converted into 32,727,273 shares of Net Element Common Stock, which will be converted into 818,182 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 notes and payables of Net Element owed to Mike Zoi or any of his affiliates which are then outstanding (which, as of August 21, 2012, totaled approximately \$7.5 million). In the case of Cazador, Mike Zoi, through Enerfund, has previously paid, on behalf of Cazador, \$150,000 of Cazador's legal fees in connection with the merger agreement and the merger, and Mike Zoi has also agreed, through Enerfund, to pay, on behalf of

TABLE OF CONTENTS

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. If Enerfund would not have agreed to these payments, Cazador Sub Holdings, Ltd. would be liable for these payments. Cazador Sub Holdings, Ltd. is indirectly majority-owned by entities controlled by Francesco Piovanetti. 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 and other interests of Net Element and Cazador's respective executive officers and directors are described in more detail in the section of this document entitled "The Business Combination - Interests of Officers and Directors in the Business Combination" beginning on page 150.

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 155.

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)(1)(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

21

TABLE OF CONTENTS

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 158.

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 156.

TABLE OF CONTENTS

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:

Name	Age	Position
Mike Zoi	46	Non-Executive Chairman
Francesco Piovanetti	37	Chief Executive Officer & Director
Dmitry Kozko	29	President & Director
David P. Kelley II	54	Independent Director
James Caan	72	Independent Director
Kenges Rakishev	33	Independent Director
Felix Vulis	56	Independent Director
Alberto Hernandez	37	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 173.

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.

TABLE OF CONTENTS

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 192. 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).

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 192.

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 192.

TABLE OF CONTENTS

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 June 30, 2012 combines the historical consolidated balance sheets of Cazador and Net Element giving effect to the business combination as if it had occurred on June 30, 2012. The summary unaudited pro forma consolidated combined statements of operations for the fiscal year ended December 31, 2011 and for the six months ended June 30, 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.

TABLE OF CONTENTSPro forma balance sheet data (in USD)Unaudited

	As of June 30, 2012	
	Assuming no redemptions ⁽¹⁾	Assuming minimum funds remaining ⁽²⁾
Cash and cash equivalents	\$ 42,500,491	\$ 19,835,491
Total assets	44,216,900	21,551,900
Total liabilities	1,837,516	2,483,384
Total stockholders' equity	42,379,384	19,714,384

(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	64,048
Less: Maximum allowable formation and operating costs	(64,048)
Total funds attributable to common shareholders	\$46,165,000
Public shares outstanding	4,600,000
Estimated redemption value per share	\$10.036

26

TABLE OF CONTENTSPro forma statements of operations data (in USD) Unaudited

(in USD)	Historical	Year ended December 31, 2011				Assuming minimum funds remaining ⁽²⁾
	Net Element for the year ended December 31, 2011	Cazador for the year ended December 31, 2011	Adjustments	Assuming no redemptions ⁽¹⁾	Adjustments	
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 and diluted		723,012,194	5,750,000	(699,670,970)	29,091,224	(701,929,340)	26,832,854
basic							

27

TABLE OF CONTENTS

(in USD)	Historical	Six months ended June 30, 2012				Assuming minimum funds remaining ⁽²⁾
	Net Element for the six months ended June 30, 2012	Cazador for the six months ended June 30, 2012	Adjustments	Assuming no redemptions ⁽¹⁾	Adjustments	
Net Revenues	\$ 112,628	\$	\$	\$ 112,628	\$	\$ 112,628
Operating Expenses						
Cost of revenues	199,781			199,781		199,781
Formation and operating costs		445,677		445,677		445,677
Business development	464,026			464,026		464,026
General and administrative	3,285,867			3,285,867		3,285,867
Product development	146,648			146,648		146,648
Depreciation and amortization	188,341			188,341		188,341
Total operating expenses	4,284,663	445,677		4,730,340		4,730,340
Loss from operations	(4,172,035)	(445,677)		(4,617,712)		(4,617,712)
Non-operating expense						
Interest income (expense)	(144,401)	11,627		(132,774)		(132,774)
Other income (expense)	(411,225)			(411,225)		(411,225)
Loss before income tax provision	(4,727,661)	(434,050)		(5,161,711)		(5,161,711)
Income tax provision						
Net loss from operations	(4,727,661)	(434,050)		(5,161,711)		(5,161,711)
Net loss attributable to the noncontrolling interest	195,953			195,953		195,953
Net loss	(4,531,708)	(434,050)		(4,965,758)		(4,965,758)
Other comprehensive income						
Foreign currency translation gain	(8,876)			(8,876)		(8,876)
Comprehensive loss	\$(4,540,584)	\$(434,050)	\$	\$(4,974,634)	\$	\$(4,974,634)
Net loss per share basic and diluted	\$(0.01)	\$(0.08)		\$(0.17)		\$(0.18)
Weighted average number of common	764,624,650	5,750,000	(740,243,115)	30,131,536	(742,501,485)	27,873,166

shares
outstanding basic
and diluted

- (1) Assumes that none of the holders of Cazador Ordinary Shares exercise their redemption rights under the Cazador Cayman Charter.
- 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
- (2) 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.

28

TABLE OF CONTENTS

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 and statements of operations data (in USD) Unaudited

	As of December 31, 2011	As of June 30, 2012
Cazador Acquisition Corporation, Ltd. Historical		
Loss per share from continuing operations:		
Basic and diluted	\$ (0.12)	\$ (0.08)
Cash dividends declared per share	\$	\$
Book value per share	\$ 3.95	\$ 3.87
Net Element, Inc.		
Loss per share from continuing operations:		
Basic and diluted	\$ (0.03)	\$ (0.01)
Cash dividends declared per share	\$	\$
Book value per share	\$ (0.01)	\$ (0.01)

	As of December 31, 2011		As of June 30, 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⁾			\$1.42	\$0.71
Book value per share	N/A	N/A		

Edgar Filing: Cazador Acquisition Corp Ltd. - Form S-4/A

Number of shares of common stock outstanding upon consummation of the business combination	30,174,070	27,915,700	30,174,070	27,915,700
Weighted average common shares outstanding	29,091,224	26,832,854	30,131,536	27,873,166

(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.

29

TABLE OF CONTENTS

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
June 30, 2012	10.02	10.09	9.85	9.93	0.15	0.35

Quarter Ended	Net Element Common Stock	
	Low	High
June 30, 2012	0.06	0.25
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

*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.

TABLE OF CONTENTS

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.

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 August 21, 2012, the per-share redemption price would be approximately \$10.036. Furthermore, there will be no distribution with respect to Cazador's outstanding warrants.

TABLE OF CONTENTS

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."

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.

Cazador may proceed with the business combination only if it has at least \$23.5 million of cash held in the trust acco

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.

TABLE OF CONTENTS

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.

TABLE OF CONTENTS

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.

Because Cazador is currently incorporated under the laws of the Cayman Islands, holders of Cazador Ordinary Shares

However, there can be no assurance that the Cazador domestication will be approved by Cazador's shareholders.

TABLE OF CONTENTS

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.

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). No assurances can be given that such amount will be sufficient to meet Cazador's post-business combination working capital requirements. If the amount remaining in the trust account after any redemptions is insufficient to fund Cazador's post-business combination 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. Additionally, Cazador must acquire at least a controlling interest in a target business (meaning more than 50% of the voting securities of such target business), although after consummating a business combination with a target business, holders of Cazador Ordinary Shares may own less than a majority of the voting securities of the combined businesses. 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.

TABLE OF CONTENTS

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 June 30, 2012, Net Element had an accumulated deficit of approximately \$55.8 million and a working capital deficit of approximately \$2.2 million. Net Element incurred net losses totaling \$4.5 million for the six months ended June 30, 2012 and \$24.9 million for the year ended December 31, 2011. Net Element's independent registered public accounting firm, in its report for the fiscal years ended December 31, 2011 and 2010, included an emphasis of matter paragraph regarding the substantial doubt about Net Element's ability to continue as a going concern. 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 and its Chairman and Chief Executive Officer, Mike Zoi (as a result of his controlling interests in TGR Capital, LLC and Enerfund), 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 \$13.7 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.

TABLE OF CONTENTS

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.

Failure by Net Element to successfully develop the business of its subsidiary TOT Money may harm Net Element's revenue and business prospects.

Net Element recently formed its subsidiary OOO TOT Money (a Russian limited liability company) in June 2012 to adapt the existing revenue sharing platform used in Openfilm.com to a mobile commerce payment platform. Net Element plans to increasingly generate most of its revenues from the mobile commerce payment platform being developed by TOT Money. TOT Money initially plans to launch operations in Russia, using its mobile commerce payment platform to facilitate payments using SMS (short message services, which is a text messaging service). The SMS payment processing market in Russia is primarily controlled by four companies, each of which is substantially larger than Net Element, has more established operations than Net Element and has significantly greater resources than Net Element. In order to successfully enter that market, Net Element must convince mobile phone carriers and content providers to use TOT Money's platform over competitive platforms that may already be in use. Failure to successfully develop TOT Money's payment processing platform and enter into contracts with mobile phone carriers and content providers to use that platform may harm Net Element's revenue and business prospects.

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

TABLE OF CONTENTS

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 in part 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 more of its revenues from advertising. As a result, Net Element's ability to grow its business depends in part 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,

TABLE OF CONTENTS

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

If Net Element fails to adequately protect or enforce its intellectual property rights, competitors may create and market

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.

TABLE OF CONTENTS

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.

The success of Net Element's business depends in part on its reputation within its industries 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 obtain and retain contracts with mobile phone carriers, content providers, advertisers and other customers, 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.

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

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

TABLE OF CONTENTS

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 and companies transmitting user information via text message or other electronic means, 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 August 21, 2012 (67.2% assuming a cashless 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)

TABLE OF CONTENTS

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 June 30, 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

The impact of worldwide economic conditions, including the resulting effect on advertising spending by local business

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

TABLE OF CONTENTS

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 secure contracts with mobile phone carriers and content providers to use the mobile commerce payment processing platform being developed by TOT Money;
- 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

TABLE OF CONTENTS

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

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.

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

TABLE OF CONTENTS

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 155.

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 156, 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

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

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

TABLE OF CONTENTS

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 156. **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 and the merger, 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 and the merger, 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 and the merger. 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 192.

Currently, the rights of holders of Cazador Ordinary Shares arise under Cayman Islands law as well as the Cazador

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

TABLE OF CONTENTS

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.

Neither the Cazador board nor the Net Element board obtained a fairness opinion in determining whether or not to p

TABLE OF CONTENTS

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. Additionally, because the Cazador board did not obtain a fairness opinion in connection with its determination to proceed with the business combination, its shareholders may lack a sufficient basis on which to rely on the Cazador board's determination of the value of Net Element. This may increase the number of holders of Public Cazador Ordinary Shares who elect to exercise their redemption rights, which could deplete the funds remaining in Cazador's trust account and could materially harm Cazador's ability to consummate the business combination.

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 142 and "The Business Combination - Recommendation of the Net Element Board; Net Element's Reasons for the Business Combination" beginning on page 147. 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

TABLE OF CONTENTS

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 167 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. For example, in the case of Net Element, 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 and totals \$3.6 million) will be converted into 32,727,273 shares of Net Element Common Stock, which will be converted into 818,182 shares of NEI Common Stock in the merger and, immediately following the effectiveness of the merger, NEI will pay, in cash, all notes and payables of Net Element owed to Mike Zoi or any of his affiliates which are then outstanding (which, as of August 21, 2012, totaled approximately \$7.5 million). In the case of Cazador, Mike Zoi, through Enerfund, has previously paid, on behalf of Cazador, \$150,000 of Cazador's legal fees in connection with the merger agreement and the merger, and Mike Zoi has also agreed, through Enerfund, 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. If Enerfund would not have agreed to these payments, Cazador Sub Holdings, Ltd. would be liable for these payments. Cazador Sub Holdings, Ltd. is indirectly majority-owned by entities controlled by Francesco Piovanetti. These interests also include 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. 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

TABLE OF CONTENTS

consummation of the transactions contemplated thereby. These and other interests of Net Element s and Cazador s respective executive officers and directors are described in more detail in the section of this document entitled The Business Combination Interests of Officers and Directors in the Business Combination beginning on page 150.

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 August 27, 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 150.

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 192 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, and assuming cashless exercise of outstanding warrants and options of Net Element and that no holders of Public Cazador Ordinary Shares exercise their redemption rights), the former shareholders of Net Element are expected to own approximately 80.9% of the outstanding NEI Common Stock (or approximately 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 approximately 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 NEI following completion of the business combination and, therefore, will be able to exercise less collective influence over the management and policies of NEI than they currently exercise.

TABLE OF CONTENTS

Following consummation of the merger, Mike Zoi, Net Element's Chairman and Chief Executive Officer, will control a majority of NEI's voting power and, as a result, will be in a position to affect NEI's ongoing operations, corporate transactions and any matters submitted to a vote of NEI shareholders, including the election of directors and a change in corporate control.

Following consummation of the merger, Mike Zoi, Net Element's Chairman and Chief Executive Officer, will control approximately 54.3% of NEI's voting power if no holders of Public Cazador Ordinary Shares exercise their redemption rights (or approximately 58.7% of NEI's voting power if the maximum permissible number of holders of Public Cazador Ordinary Shares exercise their redemption rights whereby Cazador may proceed with the merger). As a result, Mr. Zoi will have the ability to exert significant influence over NEI's corporate affairs and to control the outcome of virtually all matters submitted to a vote of NEI's shareholders, including the election of NEI directors, the amendment of NEI's Certificate of Incorporation or by-laws, and the approval of mergers, consolidations and other significant corporate transactions involving NEI. Mr. Zoi's interests may conflict with or differ from the interests of NEI's other shareholders. In situations involving a conflict of interest between Mr. Zoi and NEI's other shareholders, Mr. Zoi may exercise his control in a manner that would benefit himself to the potential detriment of NEI's other shareholders. Mr. Zoi's significant ownership interest could delay, prevent or cause a change in control of NEI, any of which may be adverse to the interests of NEI's other shareholders.

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.

Following consummation of the merger, Mike Zoi, Net Element's Chairman and Chief Executive Officer, will control

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 expects that it will incur approximately \$50,000 of costs in connection with maintaining employee morale and retaining 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

TABLE OF CONTENTS

associated with the business combination, which we estimate will be approximately \$2.0 million in aggregate. 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 179 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.

The unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus may not be

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

TABLE OF CONTENTS

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 NEI 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 NEI will be able to maintain the listing of the NEI Common Stock in the future.

On June 26, 2012, Cazador received a deficiency notice from The NASDAQ Capital Market stating that Cazador does not comply with the 300 minimum public holders requirement for continued inclusion on The NASDAQ Capital Market. The notice states that Cazador has been granted an extension of time until October 14, 2012 to complete its initial business combination and regain compliance with the minimum public holders requirement. Pursuant to the merger agreement, the merger with Net Element must close by October 14, 2012. Although Cazador believes that, upon consummation of the merger, the post-merger company will be in compliance with the 300 minimum public holders requirement, no assurance can be given that this requirement or any of the other continued listing requirements will be met, in which case the NEI Common Stock may not be listed on The NASDAQ Capital Market.

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 NEI; and
- fewer opportunities to obtain additional financing in the future.

The exercise of discretion by Cazador 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 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

TABLE OF CONTENTS

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. 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). 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.

Although we believe that a minimum of \$23.5 million will be sufficient to fund NEI's working capital requirements for the foreseeable future, we cannot assure you that NEI will not require additional funds, in which case 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.

TABLE OF CONTENTS

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. However, although an abstention or failure to vote on the business combination will have the same effect as a vote

TABLE OF CONTENTS

against the business combination, such abstention or failure to vote will not be sufficient to enable holders of Public Cazador Ordinary Shares to exercise their redemption rights. 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 August 21, 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.

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

TABLE OF CONTENTS

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 \$80 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.

57

TABLE OF CONTENTS

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, which was the date immediately preceding the public announcement of the merger). 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.

Controlling Interest in Target Business

If Cazador acquires an operating business, it must acquire at least a controlling interest in a target business (meaning more than 50% of the voting securities of the target business). The key factor that Cazador

TABLE OF CONTENTS

will rely on in determining controlling shareholder status will be its acquisition of more than 50% of the voting securities of a target company. As a result, it is possible that, following consummation of a business combination, the holders of Public Cazador Ordinary Shares will own less than a majority of the voting securities of the combined businesses even though Cazador has determined that it acquired a controlling interest.

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. Although, following completion of the business combination, 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), Cazador concluded that it is acquiring a controlling interest in Net Element since, pursuant to the terms of the merger agreement, Cazador will acquire 100% of the voting securities of Net Element.

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. As of August 21, 2012, the Sponsor beneficially owned and was entitled to vote approximately 20.0% of the total outstanding Cazador Ordinary Shares on that date.

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.

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 joint proxy statement/prospectus and incorporated by reference.

TABLE OF CONTENTS

Following completion of the repurchase of Public Cazador Ordinary Shares, Cazador's Sponsor (including its permitted transferees) 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, as of August 21, 2012, 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

TABLE OF CONTENTS

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

TABLE OF CONTENTS

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 June 30, 2012, the Sponsor has advanced \$336,148.

Liquidity and Capital Resources

At June 30, 2012, total outstanding cash balance available for Cazador's working capital needs amounted to \$15,061, 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.

TABLE OF CONTENTS

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 June 30, 2012, Cazador has earned \$64,048 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 June 30, 2012, Cazador had used \$336,148 on the commitment, leaving an outstanding balance of \$63,852 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

TABLE OF CONTENTS

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 \$900,100 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 June 30, 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 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 \$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 June 30, 2012

For the quarter ended June 30, 2012, Cazador had a net loss of approximately \$243,800, which consisted of interest income of approximately \$5,300 less expenses attributable to formation and operating costs of approximately \$249,100. During the quarter ended June 30, 2011, Cazador had a net loss of approximately \$23,100, which consisted of interest income of approximately \$16,800 less expenses attributable to formation and operating costs of approximately \$39,000. The increase noted in the formation and operating costs is mainly driven by higher expenses associated to the identification and evaluation of a prospective acquisition candidate for our Business Combination, the preparation of the related transaction documents, and required regulatory filings.

Six Months Ended June 30, 2012

For the six months ended June 30, 2012, Cazador had a net loss of approximately \$434,100, which consisted of interest income of approximately \$11,600 less expenses attributable to formation and operating costs of approximately \$445,700. During the six months ended June 30, 2011, Cazador had a net loss of approximately \$119,700, which

consisted of interest income of approximately \$26,400 less expenses attributable to formation and operating costs of approximately \$146,100. 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 and the preparation of the related transaction documents and required regulatory filings with respect to the Merger with Net Element discussed above.

Period from April 20, 2010 (inception) to June 30, 2012

For the period from April 20, 2010 (inception) to June 30, 2012, Cazador had a net loss of approximately \$1.3 million, which included interest income of approximately \$64,100, offset by formation and operating costs of approximately \$1.3 million.

TABLE OF CONTENTS

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

As of June 30, 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, \$45,000 and \$153,800 for the quarter ended June 30, 2012, the six months ended June 30, 2012 and the period from April 20, 2010 (inception) to June 30, 2012, respectively.

Cazador expect 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, the Company 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 June 30, 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

TABLE OF CONTENTS

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.

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

TABLE OF CONTENTS

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:

TABLE OF CONTENTS

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:

TABLE OF CONTENTS

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.

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:

TABLE OF CONTENTS

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. As of August 21, 2012, the Sponsor beneficially owned and was entitled to vote approximately 20.0% of the total outstanding Cazador Ordinary Shares on that date. 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

TABLE OF CONTENTS

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 August 21, 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.

TABLE OF CONTENTS

Cazador has based its calculation of the percentage of beneficial ownership on 5,750,000 Cazador Ordinary Shares outstanding as of August 21, 2012.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Approximate Percentage of Outstanding Cazador Ordinary Shares ⁽²⁾
Cazador Sub Holdings Ltd. ⁽¹⁾⁽²⁾ Bulldog Investors ⁽³⁾	1,150,000	20.0 %
Park 80 West Plaza Two Suite 750 Saddle Brook, NJ 07663	578,313	10.1 %
Polar Securities Inc. ⁽⁴⁾ 372 Bay St. 21 st Floor Toronto, ON M5H 2W9	560,000	9.7 %
AQR Capital Management LLC ⁽⁵⁾ Two Greenwich Plaza Greenwich, CT 06830	393,184	6.8 %
Deutsche Bank AG Taunusanlage 12 Frankfurt, Germany, 60325	381,313	6.6 %
Pacific Capital Management, LLC ⁽⁶⁾ 1601 Wilshire Boulevard Suite 2180 Los Angeles, CA 90025	350,000	6.1 %

- (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.
- Cazador Sub Holdings Ltd. is wholly owned by Arco Group LLC. The voting and dispositive power of Arco Group
- (2) LLC is shared by Francesco Piovanetti (majority, controlling interest) and Juan Carlos Bou (minority, non-controlling interest).
- Based upon Schedule 13G filed by Bulldog Investors with the SEC on October 12, 2010 and amended on February
- (3) 14, 2012, the voting and dispositive power over such shares is shared by Bulldog Investors, Brooklyn Capital Management, Phillip Goldstein, and Andrew Dakos. Phillip Goldstein and Andrew Dakos are principals of Bulldog Investors.
- Based upon Schedule 13G filed by Polar Securities Inc. with the SEC on October 18, 2010 and amended on
- (4) February 14, 2012, Polar Securities Inc. serves as the investment manager to North Pole Capital Master Fund. The voting and dispositive power over the shares is shared by North Pole Capital Master Fund.
- Based upon Schedule 13G filed by AQR Capital Management, LLC with the SEC on February 11, 2011 and
- (5) amended on February 14, 2012, AQR Capital Management, LLC serves as the investment manager to the AQR Diversified Arbitrage Fund. The voting and dispositive power over the shares is shared by AQR Diversified Arbitrage Fund.
- (6) Based upon Schedule 13G filed by Pacific Capital Management, LLC with the SEC on June 20, 2011, the securities are held directly by Pacific Capital Management, LLC. JMG Capital Management, Inc. is the manager of Pacific Capital Management, LLC and Jonathan M. Glaser is the control person of JMG Capital Management, Inc.

The voting and dispositive power over the shares is shared by Pacific Capital Management, LLC, JMG Capital Management, Inc. and Jonathan M. Glaser. Each of Pacific Capital Management, LLC, JMG Capital Management, Inc., and Jonathan M. Glaser disclaims beneficial ownership of the securities except to the extent of that person's pecuniary interest therein.

72

TABLE OF CONTENTS

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 4.34 million Cazador Ordinary Shares underlying such warrants 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. The Sponsor's shares are not transferable or saleable by the Sponsor (except to permitted transferees) until (i) with respect to 50% of such shares, when the closing price per Cazador Ordinary Share exceeds \$11.50 for any 20 trading days within a 30-trading day period following the consummation of Cazador's initial business combination; and (ii) with respect to 50% of such shares, when the closing price per Cazador Ordinary Share exceeds \$15.00 for any 20 trading days within a 30-trading day period following the consummation of Cazador's initial business combination. The Sponsor's shares will be held in an escrow account maintained by Continental Stock Transfer & Trust Company,

acting as escrow agent, while they are subject to the foregoing transfer restrictions. Notwithstanding the foregoing, all of the Sponsor's shares will be released from escrow and freely tradable or saleable upon the earlier of (i) the first anniversary of the consummation of Cazador's initial business combination and (ii) the first transaction following Cazador's initial business combination which results in Cazador's shareholders having the right to exchange their shares for cash or other securities.

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

TABLE OF CONTENTS

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 August 21, 2012, the Sponsor has advanced \$352,145 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,

74

TABLE OF CONTENTS

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.

75

TABLE OF CONTENTS

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

OOO TOT Money (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.

On June 26, 2012, OOO Net Element Russia (which is a subsidiary of Net Element, Inc.) entered into a Loan Agreement with Green Venture Group, LLC, pursuant to which Net Element Russia was loaned 150 million Russian rubles (or approximately US\$4,557,885 based on the currency exchange rate as of the close of business on June 26, 2012). The loan is intended to be used by Net Element Russia for working capital and the development of the business of TOT Money. The interest rate under the Loan Agreement is 8.15% per annum and outstanding principal and interest is due on or before November 1, 2012. Green Venture Group, LLC is owned and controlled by Mike Zoi.

On July 3, 2012, OOO Net Element Russia (which is a subsidiary of Net Element, Inc.) entered into a Loan Agreement with OOO Sat-Moscow, pursuant to which Net Element Russia was loaned 150 million Russian rubles (or approximately US\$4,636,928 based on the currency exchange rate as of the close of business on June 4, 2012). The loan is intended to be used by Net Element Russia for working capital and the development of the business of TOT Money. The interest rate under the Loan Agreement is 8.15% per annum and outstanding principal and interest is due on or before November 1, 2012. Sat-Moscow is indirectly controlled by Kenges Rakishev, a director of Net Element.

On August 17, 2012, TOT Money entered into a Credit Agreement with Alfa-Bank. Pursuant to the Credit Agreement, Alfa-Bank agreed to provide a line of credit to TOT Money with the credit line limit set at 300 million Russian rubles (or approximately US\$9,348,707 based on the currency exchange rate as of the close of business on August 17, 2012). The interest rate on the initial amount borrowed under the Credit Agreement is 3.55% per annum. Alfa-Bank has the unilateral right to change the interest rate on amounts borrowed under the Credit Agreement from time to time in the event of changes in certain market rates or in Alfa-Bank's reasonable discretion, provided that the interest rate may not exceed 14% per annum. Interest must be repaid on a monthly basis on the 25th of each month. Amounts borrowed under the Credit Agreement must be repaid within six months of the date borrowed. The duration of the line of credit

is set from August 17, 2012 through May 21, 2014. TOT Money's obligations under the Credit Agreement are secured by a pledge of TOT Money's deposits in its deposit account with Alfa-Bank and by a guarantee given by AO SAT & Company. AO SAT & Company is an affiliate of Kenges Rakishev, a director of Net Element, Inc.

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. 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. Net Element launched a beta test version of legalguru.com in May 2012.

TABLE OF CONTENTS

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.

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

77

TABLE OF CONTENTS

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,

TABLE OF CONTENTS

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 Music 1, 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

TABLE OF CONTENTS

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 members 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.

TABLE OF CONTENTS

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.

Edgar Filing: Cazador Acquisition Corp Ltd. - Form S-4/A

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.

TABLE OF CONTENTS

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 Splinx Technology, Inc., which was a wholly-owned subsidiary of Splinx, 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

TABLE OF CONTENTS

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. In May 2012, Net Element launched a beta test version of legalguru.com, 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 June 30, 2012, Mr. Wolfe had invested \$100,000 in LegalGuru LLC and Net Element had invested \$974,590 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.

TABLE OF CONTENTS

On March 17, 2011, Net Element formed a wholly-owned subsidiary, Splinx LLC, a Florida limited liability company. Splinx, 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 Splinx, 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, which 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.

84

TABLE OF CONTENTS

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.

85

TABLE OF CONTENTS

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

TABLE OF CONTENTS

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 and companies transmitting user information via text message or other electronic means, 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 TOT Money, Openfilm, LegalGuru, Motorsport, Music1 and Yapik collect, or intend to collect, certain information from members and users on their respective platforms or websites, such entities will be subject to current and future government regulations regarding the collection, use and safeguarding of consumer information over the Internet and mobile communication devices. 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 electronic 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 or mobile communication services (such as text messaging) as the vast majority of these laws were adopted prior to the advent of these technologies 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 Elements (or others') use of their information, among other changes.

Competition

TOT Money

TOT Money is expected to compete with other companies operating in the SMS (short message services) payment processing market in Russia, which market is primarily controlled by four companies, Pervii

87

TABLE OF CONTENTS

Alternativni, Incore Media, RM Invest and iFree. Each of those competitors is substantially larger than Net Element, has more established operations than Net Element and has significantly greater resources than Net Element. In order to successfully enter that market, Net Element must convince mobile phone carriers and content providers to use TOT Money's platform over competitive platforms that may already be in use. Net Element believes that TOT Money will be able to effectively compete in the SMS payment processing market in Russia based primarily upon industry relationships of certain of its directors and officers, as well as on the basis of services offered, functionality and ease of use of platform features. Failure to successfully develop TOT Money's payment processing platform and enter into contracts with mobile phone carriers and content providers to use that platform may harm Net Element's revenue and business prospects.

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.

TABLE OF CONTENTS

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.

Splinx, 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.

TABLE OF CONTENTS

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 launched a beta test version of the website legalguru.com in the second quarter of 2012. In addition, through its subsidiary TOT Money, Net Element is developing a mobile commerce payment platform for Russia and other emerging markets.

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.

Since Net Element's inception, it has not generated significant revenues, and it has incurred significant operating losses. Net Element will require additional capital to develop its business operations (for additional information, see Liquidity and Capital Resources below). Substantially all of Net Element's revenues to-date have been generated by the sale of premium services (subscription and pay per view fees), licensing fees and advertising. However, in the future, Net Element plans to increasingly generate most of its revenues from the mobile commerce payment processing platform being developed by its subsidiary TOT Money, and from advertising. Failure to successfully develop that payment processing platform and enter into contracts with mobile phone carriers and content providers to use that platform, or failure to expand Net Element's base of advertisers or generate and maintain high quality content on its websites could harm Net Element's revenue prospects. Net Element faces all of the risks inherent in a new business, including management's potential underestimation of initial and ongoing costs, and potential delays and other problems in connection with developing its technologies, Internet websites and operations.

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.

TABLE OF CONTENTS

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 June 30, 2012 and 2011

Net Element reported a net loss of \$2,147,713, or \$(0.00) per share, for the three months ended June 30, 2012, as compared with a net loss of \$1,728,413, or \$(0.00) per share, for the three months ended June 30, 2011. Basic and diluted weighted average shares outstanding were 764,624,650 and 736,324,911 for the quarters ended June 30, 2012 and 2011, respectively.

Net revenues consist of service fees, advertising fees, membership fees and license fees. Net revenues for the three months ended June 30, 2012 and 2011 were \$37,818 and \$26,058, respectively. The following table provides a breakdown of revenue by web property for the three months ended June 30, 2012 and 2011.

Web Property	2Q2012 Revenue	2Q2011 Revenue	Change
--------------	-------------------	-------------------	--------

Edgar Filing: Cazador Acquisition Corp Ltd. - Form S-4/A

A&R Music Live / Music1	\$ 16,364	\$ 23,977	\$ (7,613)
Motorsport.com	12,666	197	12,469
Openfilm.com	8,248	1,740	6,508
Netlab Systems	540	144	396
Total Revenue	\$ 37,818	\$ 26,058	\$ 11,760

A&R Music Live / Music1 revenues for the three months ended June 30, 2012 decreased \$7,613, or 32%, compared to revenues for the three months ended June 30, 2011 as a result of updates made to the website during the three months ended June 30, 2012. Motorsport.com revenues increased from \$197 for the three months ended June 30, 2011 to \$12,666 for the three months ended June 30, 2012 due to increased advertising on the site. Additionally, Motorsport.com had cancelled the majority of its low value advertising

TABLE OF CONTENTS

contracts in an effort to obtain higher value advertising for the site. Openfilm.com revenues increased \$6,508, or 374%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011 due to increased advertising and license fees generated for the 2012 period.

Operating expenses totaled \$2,237,669 for the three months ended June 30, 2012, as compared to total operating expenses of \$1,850,268 for the three months ended June 30, 2011. Most of total operating expenses in each of such periods consisted of general and administrative expenses. For the three months ended June 30, 2012, general and administrative expenses were \$1,665,359, or 74% of total operating expenses during that period. For the three months ended June 30, 2011, general and administrative expenses were \$1,426,962, or 77% 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 June 30, 2012 were \$100,154 as compared to \$285,367 for the three months ended June 30, 2011, which represents a decrease of \$185,213, or 65%, per the following detail by web property.

Web Property	2Q2012 Cost of revenues	2Q2011 Cost of revenues	Change
A&R Music Live / Music1	\$ 19,032	\$ 48,632	\$ (29,600)
Motorsport.com	56,687	59,625	(2,938)
Openfilm.com	19,794	68,276	(48,482)
Other	4,641	108,834	(104,193)
Total Cost of revenues	\$ 100,154	285,367	\$ (185,213)

The decrease in other cost of revenues was primarily due to a decrease of \$41,528 in cost of revenues in corporate due to reduced consulting costs and video production expenses. The balance of the decrease was due to lower consulting and video production costs in Yapik and LegalGuru. Openfilm cost of revenues decreased \$48,482 primarily due to reduced promotion costs. A&R Music Live / Music1 cost of revenues decreased \$29,600 primarily due to a decrease in Music1 development costs.

Business development expenses consist of direct costs associated with developing Net Element s brand and developing revenue opportunities. Business development expenses increased by \$205,776, or 283%, to \$278,506 for the three months ended June 30, 2012 as compared with \$72,730 for the three months ended June 30, 2011. For the quarter ended June 30, 2012, business development expenses were primarily attributable to corporate activities (\$270,538), and LegalGuru (\$7,156). Business development expenses for the three months ended June 30, 2011 were primarily attributable to corporate activities (\$58,346) and Motorsport (\$12,349). Business development expenses attributable to corporate activities related primarily to business development of new company-wide 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 June 30, 2012 was \$133,232 of expense related to promotion at Ferrari North American Challenge and a \$72,544 increase in travel expenses relating to business development, partially offset by decreases in Motorsport business development expenses of \$12,300 as Net Element did not have paid marketing professionals or promotional items at race events during the three months ended June 30, 2012.

General and administrative expenses were \$1,665,359 for the three months ended June 30, 2012 as compared to \$1,426,962 for the three months ended June 30, 2011. General and administrative expenses for the three months ended

June 30, 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 June 30, 2012 and 2011 were attributable to the properties or subsidiaries of Net Element as follows:

92

TABLE OF CONTENTS

Property or Entity	Three months	Three months
	ended June 30, 2012	ended June 30, 2011
Net Element Corporate	\$ 939,960	\$ 751,327
Yapik	41,774	36,955
Openfilm / Launchpad	41,522	139,625
LegalGuru	75,125	11,406
Motorsport	54,636	52,621
A&R Music Live / Music1	102,214	120,233
OOO Net Element Russia	117,500	
Netlab Systems / Splinex	292,628	314,795
Total general and administrative	\$ 1,665,359	\$ 1,426,962

93

TABLE OF CONTENTS

General and administrative expenses for Net Element Corporate were \$939,960 for the three months ended June 30, 2012 as compared to \$751,327 for the three months ended June 30, 2011. For the three months ended June 30, 2012, general and administrative expenses for Net Element Corporate consisted primarily of \$259,264 of payroll expenses, \$222,675 of professional fees and \$306,320 of non-cash compensation expense relating to the issuance of shares and options for services.

Of the \$751,327 in general and administrative expenses for Net Element Corporate for the three months ended June 30, 2011, \$433,979 is attributable to payroll expense, \$178,376 in professional fees, \$112,978 in travel and \$25,994 in miscellaneous other expenses.

General and administrative expenses attributable to Openfilm / Launchpad decreased by \$98,103 primarily due to lower payroll (\$42,353), lower consulting fees (\$10,966) and lower travel expenses (\$11,822) resulting from lower headcount and reduced salaries for remaining employees. LegalGuru and Yapik both started accumulating expenses in March of 2011 as start-up businesses and OOO Net Element Russia was formed during the second quarter of 2012, which explains the variance between general and administrative expenses for the three months ended June 30, 2012 versus the three months ended June 30, 2011 with respect to those subsidiaries.

Product development expense was \$73,972 for the three months ended June 30, 2012 as compared to \$41,585 for the three months ended June 30, 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 \$119,678 for the three months ended June 30, 2012 as compared with \$23,624 for the three months ended June 30, 2011. This increase was due to an increase in fixed and intangible assets as Net Element built out its operations over the last twelve months.

Capitalized costs related to website development and intangible assets were \$719,619, net at June 30, 2012 as compared with \$608,823 at June 30, 2011. Capitalized website development and intangible assets of \$719,619 at June 30, 2012 includes \$473,689 of capitalized web development, \$27,385 for the direct costs of acquiring patents and \$216,300 related to website content, customer lists and domain names (Motorsport, LLC (\$128,750) and Music1, LLC (\$87,550)).

Interest expense was \$71,727 for the three months ended June 30, 2012 as compared with \$32,378 for the three months ended June 30, 2011. Interest expense for the three months ended June 30, 2012 includes interest on convertible loans from Enerfund to Net Element (\$48,358 in interest expense at 5% per annum) with principal balances totaling \$4,092,000 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 for the three months ended June 30, 2011 was primarily attributable to the loan from Enerfund to Openfilm, LLC (\$27,867 in interest expense) with a principal balance of \$1,667,762 and an interest rate of 5% per annum.

The net loss attributable to non-controlling interests relating to Yapik, LLC, LegalGuru, LLC, A&R Music Live, LLC, and Splinx, LLC was \$123,865 for the three months ended June 30, 2012 as compared with \$128,175 for the three months ended June 30, 2011. Non-controlling interest for the three months ended June 30, 2012 were primarily attributable to LegalGuru (\$75,736) and Yapik (\$36,521). 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 Six-Month Periods Ended June 30, 2012 and 2011

Net Element reported a net loss of \$4,531,708, or \$(0.01) per share, for the six months ended June 30, 2012, as compared with a net loss of \$22,043,310, or \$(0.03) per share, for the six months ended June 30, 2011. Basic and diluted weighted average shares outstanding were 758,708,606 and 702,367,953 for the six months ended June 30, 2012 and 2011, respectively.

TABLE OF CONTENTS

Net revenues consist of service fees, advertising fees, membership fees and license fees. Net revenues for the six months ended June 30, 2012 and 2011 were \$112,628 and \$104,204, respectively. The following table provides a breakdown of revenue by web property for the six months ended June 30, 2012 and 2011.

Web Property	YTD 6/30/12 Revenue	YTD 6/30/11 Revenue	Change
A&R Music Live / Music1 (acquired 2/1/2011)	\$ 50,395	\$ 41,610	\$ 8,785
Motorsport.com (acquired 2/1/2011)	44,626	6,955	37,671
Openfilm.com / Launchpad	16,486	52,429	(35,943)
Netlab Systems	1,121	3,210	(2,089)
Total Revenue	\$ 112,628	\$ 104,204	\$ 8,424

A&R Music Live / Music1 revenues increased \$8,785 due to longer time period of ownership in 2012 (Net Element bought A&R Music Live / Music1 in February, 2011). Motorsport.com revenues increased \$37,671 due to longer time period of ownership in 2012 (Net Element bought Motorsport.com in February, 2011) and due to re-establishment of revenue stream from advertising that was reduced dramatically subsequent to purchase in February, 2011. Openfilm / Launchpad revenues decreased \$35,943 primarily due to license fee revenue decrease of \$32,800 for the six months ending June 30, 2012 when compared to the six months ended June 30, 2011. License revenues vary from period to period based on contracts entered into during a particular period to use Launchpad or other software and/or services.

Operating expenses totaled \$4,284,663 for the six months ended June 30, 2012, as compared to total operating expenses of \$22,214,522 for the six months ended June 30, 2011. Most of total operating expenses in each of such periods consisted of general and administrative expenses. For the six months ended June 30, 2012, general and administrative expenses were \$3,285,867, or 77% of total operating expenses during that period. For the six months ended June 30, 2011, general and administrative expenses were \$21,625,854, or 97% 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, hosting, content acquired and created and certain payroll and consulting expenses that are directly related to revenue creation. Cost of revenues for the six months ended June 30, 2012 were \$199,781 as compared to \$372,190 for the six months ended June 30, 2011, which represents a decrease of \$172,409, or 46%.

Web Property	YTD 6/30/12 Cost of revenues	YTD 6/30/11 Cost of revenues	Change
A&R Live / Music1	\$ 35,603	\$ 59,477	\$ (23,874)
Motorsport.com	116,792	96,696	20,096
Openfilm.com / Launchpad	42,965	107,183	(64,218)
Other	4,421	108,834	(104,413)
Total Cost of revenues	\$ 199,781	\$ 372,190	\$ (172,409)

A&R Live / Music1 cost of revenues for the six months ended June 30, 2012 was \$35,603, or \$23,874 lower than cost of revenues for the six months ended June 30, 2011, primarily due to web development work in Music1 being higher by \$32,453 during the 2011 time period offset by \$3,480 in increased hosting expenses, \$1,276 in increased merchant fees and \$3,521 in increased payroll and contractor expenses. Motorsport.com cost of revenues were higher in 2012 than 2011 by \$20,096 primarily due to higher hosting costs of \$17,906, higher content acquisition costs of \$10,361, higher contractor expenses of \$9,772 and higher commissions paid of \$5,440, offset by lower travel expenses to

produce content of \$23,297 and lower internet connectivity costs of \$3,582. Openfilm / Launchpad cost of revenues decreased \$64,218 in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011 primarily due to reductions of \$49,350 in direct marketing and a reduction of \$9,409 in commissions. Other cost of revenues decreased \$104,413 for the six months ended June 30, 2012 when compared to the six months ended June 30, 2011 primarily due to a reduction in web development costs incurred to produce revenues.

Business development expenses consist of direct costs associated with developing Net Element's brand and developing revenue opportunities. Business development expenses increased by \$359,012, or 342%, to

TABLE OF CONTENTS

\$464,026 for the six months ended June 30, 2012 as compared with \$105,014 for the six months ended June 30, 2011.

For the six months ended June 30, 2012, business development expenses were primarily attributable to corporate activities (\$446,287), and LegalGuru (\$16,135). Business development expenses for the six months ended June 30, 2011 were primarily attributable to corporate activities (\$65,136) and Motorsport (\$36,507). 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 six months ended June 30, 2012 was \$266,186 of expense related to promotion at Ferrari North American Challenge and \$122,795 increase in travel relating to business development, partially offset by decreases in Motorsport of \$36,157 as

Motorsport did not have paid marketing professionals or promotional items at race events during 2012.

General and administrative expenses were \$3,285,867 for the six months ended June 30, 2012 as compared to \$21,625,854 for the six months ended June 30, 2011. General and administrative expenses for the six months ended

June 30, 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 six months ended June 30, 2012 and 2011 were attributable to the properties or subsidiaries of Net Element as follows:

Property or Entity	Six months ended June 30, 2012	Six months ended June 30, 2011
Net Element Corporate	\$ 1,913,198	\$ 20,534,918
Yapik	80,984	44,580
Openfilm/Launchpad	77,226	258,878
LegalGuru	130,886	21,291
Motorsport	175,010	94,152
A&R Music Live / Music1	209,776	172,235
OOO Net Element Russia	117,500	
Netlab Systems / Splinx	581,287	499,800
Total general and administrative	\$ 3,285,867	\$ 21,625,854

General and administrative expenses for Net Element Corporate were \$1,913,198 for the six months ended June 30, 2012 as compared to \$20,534,918 for the six months ended June 30, 2011. For the six months ended June 30, 2012, general and administrative expenses for Net Element Corporate consisted primarily of \$827,817 in non-cash compensation expense relating to the issuance of stock, options and warrants, \$480,198 of payroll expenses, \$414,546 of professional fees, \$46,821 of recruiting expense and \$17,416 of travel expense.

Of the \$20,534,918 in general and administrative expenses for Net Element Corporate for the six months ended June 30, 2011, \$18,999,435 is attributable to non-cash compensation expense relating primarily to the issuance of stock and options pursuant to a subscription agreement with Enerfund during the period. Of the \$1,535,483 remaining in corporate general and administrative expenses for the six months ended June 30, 2011, \$889,163 consisted of payroll expense, \$129,928 was for recruiting expenses, \$247,840 in professional fees, \$50,000 for accrual of disputed tax penalties (see Note 14 of Net Element's accompanying Notes to Unaudited Condensed Consolidated Financial Statements), \$154,857 in travel and \$63,695 of other general and administrative expenses.

Motorsport and A&R Music Live / Music1 were both purchased on February 1, 2011 so the six months ended June 30, 2011 only includes five months of operating expenses for each of those subsidiaries. Additionally, subsequent to acquisition, Net Element increased its development efforts for both of those entities, which contributed to higher general and administrative expenses in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. LegalGuru and Yapik both started accumulating expenses in March of 2011 as start-up businesses and OOO Net Element Russia was formed during the second quarter of 2012, which explains the variance between general and administrative expenses for the six

TABLE OF CONTENTS

months ended June 30, 2012 versus the six months ended June 30, 2011. Openfilm / Launchpad general and administrative expense decreased \$181,652 for the six months ended June 30, 2012 compared to the six months ended June 30, 2011 primarily due to reductions in payroll expenses (\$90,018), travel (\$28,097), consulting fees (\$18,634) and professional services (\$8,795). Expenses were lower in 2012 due to lower headcount and a reduced budget for Openfilm during 2012 as compared to 2011.

Product development expense was \$146,648 for the six months ended June 30, 2012 as compared to \$46,585 for the six months ended June 30, 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 \$188,341 for the six months ended June 30, 2012 as compared with \$64,879 for the six months ended June 30, 2011. The increase was due to higher levels of fixed assets and web development amortization in 2012 versus 2011.

Capitalized costs related to website development and intangible assets were \$719,619, net at June 30, 2012 as compared with \$608,823 at June 30, 2011. Capitalized website development and intangible assets of \$719,619 at June 30, 2012 includes \$473,689 of capitalized web development, \$27,385 for the direct costs of acquiring patents and \$216,300 related to website content, customer lists and domain names (Motorsport, LLC (\$128,750) and Music1, LLC (\$87,550)).

Interest expense was \$144,401 for the six months ended June 30, 2012 as compared with \$57,293 for the six months ended June 30, 2011. Interest expense for the six months ended June 30, 2012 includes interest on convertible loans from Enerfund to Net Element (\$97,383 in interest expense at 5% per annum) with principal balances totaling \$4,092,000 and a loan from Enerfund to Openfilm with a principal balance of \$1,667,762 (\$41,581 in interest expense at 5% per annum). The interest expense for the six months ended June 30, 2011 was primarily attributable to the loan from Enerfund to Openfilm, LLC (\$41,347 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 six months ended June 30, 2012 compared to other expenses of \$45,942 for the six months ended June 30, 2011. Other expenses for the six months ended June 30, 2012 related primarily to the amendment of amounts payable to former Motorsport.com owners and other expense for the six months ended June 30, 2011 related primarily to adjusting Net Element's carrying value of Korlea-TOT to fair value on January 1, 2011. See Notes 4 and 5 of Net Element's accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

The net loss attributable to non-controlling interests relating to Yapik, LLC, LegalGuru, LLC, A&R Music Live, LLC, and Splinex, LLC was \$195,953 for the six months ended June 30, 2012 as compared with \$170,243 for the six months ended June 30, 2011. Non-controlling interest for the six months ended June 30, 2012 were primarily attributable to LegalGuru (\$113,423) and Yapik (\$65,000). Non-controlling interest for the six months ended June 30, 2011 were primarily attributable to Motorsport.com (96,978), LegalGuru (\$38,911) and Yapik (\$19,873). 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

TABLE OF CONTENTS

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.

TABLE OF CONTENTS

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).

On December 31, 2010, Net Element entered into a Subscription Agreement with Enerfund (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

TABLE OF CONTENTS

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 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.

TABLE OF CONTENTS

Going Concern

Net Element had a net loss of \$4,531,708 for the six months ended June 30, 2012, 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 \$2,705,673 and \$4,979,221 for the six months ended June 30, 2012 and the twelve months ended December 31, 2011, respectively, and had an accumulated deficit of \$55,805,741 and shareholders' deficiency of \$4,469,696 at June 30, 2012. 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. Further, Net Element's independent registered public accounting firm, in its report for the fiscal years ended December 31, 2011 and 2010, included an emphasis of matter paragraph regarding the 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 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 third quarter of 2012 in order to continue operations as currently conducted and to pay for anticipated capital expenditures over the next 12 months. See also "Liquidity and Capital Resources" below.

Liquidity and Capital Resources

At June 30, 2012, Net Element had an accumulated deficit of \$55,805,741, negative working capital of \$2,179,474 and cash of \$1,534,448. Net Element had a net loss of \$4,531,708 for the six months ended June 30, 2012, a net loss of \$22,043,310 for the six months ended June 30, 2011, and further losses are anticipated. Net Element had negative cash flows from operations of \$2,705,673 for the six months ended June 30, 2012 and negative cash flows from operations of \$1,530,687 for the six months ended June 30, 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 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 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 June 30, 2012 was \$1,667,762.

On December 31, 2010, Net Element entered into a Subscription Agreement with Enerfund 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

TABLE OF CONTENTS

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. 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.

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. 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 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

TABLE OF CONTENTS

\$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 June 30, 2012, Mr. Wolfe had invested \$100,000 in LegalGuru LLC and Net Element had invested \$974,590 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 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 June 30, 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 June 30, 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 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 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

TABLE OF CONTENTS

Element is required to issue to Enerfund 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 June 30, 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. The companies TGR Capital, LLC, MZ Capital, LLC (Delaware), MZ Capital, LLC (Florida) and Enerfund 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.

