

Mobiquity Technologies, Inc.

Form 10-Q

November 14, 2014

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014**

**COMMISSION FILE NUMBER: 000-51160**

**MOBIQUITY TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

**NEW YORK**

**11-3427886**

(State of jurisdiction of Incorporation) (I.R.S. Employer Identification No.)

**600 OLD COUNTRY ROAD, SUITE 541**

**GARDEN CITY, NY 11530**

(Address of principal executive offices)

**(516) 256-7766**

(Registrant's telephone number)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file).

Yes  No

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

Large Accelerated Filer  Accelerated Filer   
Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of November 7, 2014, the registrant had a total of 64,032,118 shares of Common Stock outstanding.

**MOBIQUITY TECHNOLOGIES, INC.**

**FORM 10-Q QUARTERLY REPORT**

**TABLE OF CONTENTS**

	PAGE
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets as of September 30, 2014 (unaudited) and December 31, 2013 (audited)	3
Condensed Consolidated Statements of Operations for the Three Months and Nine Months Ended September 30, 2014 and September 30, 2013 (unaudited)	4
Condensed Consolidated Statement of Stockholder's Equity for the Year Ended December 31, 2013 and Nine Months Ended September 30, 2014 (unaudited)	5
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and September 30, 2013 (unaudited)	6
Notes to Condensed Financial Statements (unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3 Quantitative and Qualitative Disclosures	26
Item 4. Controls and Procedures	27
<b>PART II. OTHER INFORMATION</b>	
Item 1. Legal Proceedings	28
Item 1a. Risk Factors	28
Item 2. Changes in Securities	28
Item 3. Defaults Upon Senior Securities	29
Item 4. Mine Safety Disclosures	29
Item 5. Other Information	29

Item 6. Exhibits and Reports on Form 8-K	29
<b>SIGNATURES</b>	31

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)**

	MOBIQUNITY TECHNOLOGIES, INC.	
	September 30, 2014 Unaudited	December 31, 2013 Audited
<b>Condensed Consolidated Balance Sheets</b>		
Assets		
Current Assets:		
Cash and cash equivalents	\$1,460,473	\$1,740,989
Accounts receivable, net of allowance for doubtful accounts of \$30,000 and \$30,000 as of 2014 and 2013, respectively	361,939	433,856
Inventory	202,737	109,073
Prepaid expenses and other current assets	126,838	141,921
Total Current Assets	2,151,987	2,425,839
Property and equipment, net of accumulated depreciation of \$772,977 and \$597,396 as of September 30, 2014 and December 31, respectively	315,893	466,772
Intangible assets, net of accumulated amortization of \$221,696 and \$153,416 as of 2014 and 2013, respectively	233,504	301,784
Other Assets	34,030	34,109
Total Assets	\$2,735,414	\$3,228,504
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$539,237	\$485,401
Accrued expenses	99,666	177,943
Convertible promissory note	322,000	322,000
Note Payable-Investors	253,083	—
Total Current Liabilities	1,213,986	985,344
Commitments and Contingencies	—	—
Stockholders' Equity:		
Preferred Stock, \$.0001 par value; 5,000,000 shares authorized, and December 31, 2013 respectively 0 and 0 shares issued and outstanding at September 30, 2014	—	—

Edgar Filing: Mobiquity Technologies, Inc. - Form 10-Q

Common stock, \$.0001 par value; 200,000,000 and 100,000,000 shares authorized; 63,805,451 and 52,402,247 shares issued and outstanding at 2014 and 2013, respectively	6,381	5,240
Additional paid-in capital	27,400,241	21,948,920
Stock subscription receivable	–	(175,000 )
Accumulated other comprehensive income (loss)	(459 )	1,268
Accumulated deficit	(25,853,234)	(19,505,767)
	1,552,929	2,274,661
Less: Treasury Stock, at cost, 23,334 shares	(31,501 )	(31,501 )
Total Stockholders' Equity	1,521,428	2,243,160
Total Liabilities and Stockholders' Equity	\$2,735,414	\$3,228,504

*See notes to condensed consolidated financial statements.*

**MOBIQUITY  
TECHNOLOGIES, INC.****Condensed Consolidated Balance Sheets**

	Three Months Ended September 30, Unaudited		Nine Months Ended September 30, Unaudited	
	2014	2013	2014	2013
Revenues, net	\$714,044	\$668,719	\$2,273,395	\$2,263,812
Cost of Revenues	610,119	441,061	1,859,497	1,652,449
Gross Profit	103,925	227,658	413,898	611,363
Operating Expenses:				
Selling, general and administrative expenses	2,144,255	1,396,637	6,697,392	4,658,596
Total Operating Expenses	2,144,255	1,396,637	6,697,392	4,658,596
Loss from Operations	(2,040,330)	(1,168,979)	(6,283,494)	(4,047,233)
Other Income (Expense):				
Interest expense	(40,621)	(24,602)	(64,111)	(85,586)
Interest income	45	53	138	221
Total Other Income (Expense)	(40,576)	(24,549)	(63,973)	(85,365)
Net Loss	\$(2,080,906)	\$(1,193,528)	(6,347,467)	\$(4,132,598)
Other Comprehensive Income (Loss)	(569)	—	(1,727)	—
Net Comprehensive Loss	\$(2,081,475)	\$(1,193,528)	\$(6,349,194)	\$(4,132,598)
Net Loss Per Common Share:				
Basic	\$(0.03)	\$(0.03)	\$(0.11)	\$(0.10)
Weighted Average Common Shares Outstanding:				
Basic	62,383,258	45,490,256	58,354,759	40,177,948

*See notes to condensed consolidated financial statements.*

**Statement of Stockholders' Equity***Year Ended December 31, 2013 and Nine Months Ended September 30, 2014***MOBIQUITY  
TECHNOLOGIES, INC.**

	Total Stockholders' Equity	Preferred Shares	Stock Amount	Common Shares	Stock Amount	Additional Paid-in Capital	Stock Subscription	Accumulated Other Comprehensive Income (Loss)	(Deficit)
Balance, at December 31, 2012	\$1,038,984	220,000	\$22	30,252,938	\$3,025	\$14,485,740			\$(13,418,302)
Stock Purchase	5,562,816			19,125,006	1,913	5,735,903	(175,000)		
Offering costs	(182,184 )					(182,184 )			
Stock Grant	1,048,091			2,402,969	240	1,047,851			
Stock Purchase	—			—	—	—			
Preferred Conversion of Preferred Stock	—	(220,000)	(22)	528,000	53	(31 )			
Option Grant	716,983					716,983			
Conversion of debt	28,000			93,334	9	27,991			
Beneficial Conversion	116,667					116,667			
Feature Closing Costs on equity issuance	—					—			
Net Loss	(6,086,197)							\$1,268	\$(6,087,465 )
Balance, at December 31, 2013	\$2,243,160	\$—	\$—	52,402,247	\$5,240	\$21,948,920	\$(175,000)	\$1,268	\$(19,505,767)
Stock Purchase	3,735,300			9,884,635	989	3,559,311	175,000		
Offering costs	(254,000 )					(254,000 )			
Stock Grant	204,574			1,319,000	132	204,442			
Option Grant	1,453,811					1,453,811			
Warrant Exercise				49,569	5	(5 )			
Stock Compensation	166,174			150,000	15	166,159			
Warrant Grant	321,603					321,603			
Net Loss	(6,349,194)							(1,727)	(6,347,467 )
Balance, at September 30,	\$1,521,428	—	\$—	63,805,451	\$6,381	\$27,400,241	\$—	\$(459 )	\$(25,853,234)



2014

*See notes to condensed consolidated financial statements.*

5

**Condensed Consolidated Statements of Cash Flows***Nine Months Ended September 30,***MOBIQUITY  
TECHNOLOGIES, INC.**

	2014	2013
	Unaudited	Unaudited
Cash Flows from Operating Activities:		
Net loss	\$(6,349,194)	\$(4,132,598)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	243,861	199,090
Stock-based compensation	2,146,162	1,383,638
Amortization of deferred financing costs	—	42,238
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	71,917	144,656
Inventory	(93,664 )	—
Prepaid expenses and other assets	15,162	(347,152 )
Increase (decrease) in operating liabilities:		
Accounts payable	53,836	(110,833 )
Accrued expenses	(78,277 )	—
Total adjustments	2,358,997	1,311,637
Net Cash Used in Operating Activities	(3,990,197)	(2,820,961)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(24,702 )	(24,358 )
Acquisition of intellectual property	—	—
Net Cash Used in Investing Activities	(24,702 )	(24,358 )
Cash Flows from Financing Activities:		
Proceeds from Loan	253,083	—
Proceeds from issuance of stock	3,481,300	4,006,500
Net Cash Provided by Financing Activities	3,734,383	4,006,500
Net Increase (Decrease) in Cash and Cash Equivalents	(280,516 )	1,161,181
Cash and Cash Equivalents, beginning of period	1,740,989	362,598
Cash and Cash Equivalents, end of period	\$1,460,473	\$1,523,779
Supplemental Disclosure Information:		
Cash paid for interest	\$64,112	\$43,348
Cash paid for taxes	\$—	\$—

*See notes to condensed consolidated financial statements.*

**MOBIQUITY TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

**(UNAUDITED)**

**NOTE 1: NATURE OF OPERATIONS**

Mobiquity Technologies, Inc., a New York corporation (the “Company”), operates a national location-based mobile advertising network comprised of a consumer-focused proximity network. The Company’s integrated suite of proprietary location based mobile advertising technologies allows clients to execute more personalized and contextually relevant experiences, driving brand awareness and incremental revenue. The Company has currently installed its location-based mobile advertising solutions in approximately 180 locations as of October 2014 and is currently expanding to 240 retail destinations across the U.S. to create "smart malls" using Bluetooth-enabled iBeacon compatible technology. The Company plans to expand outside the malls with additional synergistic venues that will allow for cross marketing opportunities in such venues as stadiums, arenas, additional college campuses, airports and retail chains.

The Company operates through its wholly-owned subsidiaries, Ace Marketing & Promotions, Inc. (“Ace Marketing”) and Mobiquity Networks, Inc. (“Mobiquity Networks”). Mobiquity Networks operates an office in Spain, which operates under a wholly-owned Spanish subsidiary. Ace Marketing is the Company’s legacy marketing and promotions business which provides integrated marketing services to commercial customers. While Ace Marketing currently represents substantially all of the Company’s revenue, the Company anticipates that activity from Ace Marketing will represent a diminishing portion of corporate revenue as the Company is presently focused principally on developing and executing on opportunities in its Mobiquity Networks business.

As used herein, the term “Common Stock” means the Company’s common stock, par value \$0.0001 per share.

**NOTE 2: SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The accompanying condensed consolidated financial statements include the accounts of the Company (formerly known as Ace Marketing & Promotions, Inc.), and its wholly owned subsidiaries, Mobiquity Networks, Ace Marketing and Mobiquity Wireless S.L.U. All intercompany accounts and transactions have been eliminated in consolidation. The accompanying condensed consolidated financial statements and footnotes thereto are unaudited.

The Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013, the Condensed Consolidated Statements of Operations for the three months and nine months ended September 30, 2014 and 2013 and the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013 have been prepared by the Company without audit, and in accordance with the requirements of Form 10-Q and, therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of Company management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly in all material respects our financial position as of September 30, 2014, results of operations for the three months and nine months ended September 30, 2014 and 2013 and cash flows for the nine months ended September 30, 2014 and 2013. All such adjustments are of a normal recurring nature. The results of operations and cash flows for the nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through the filing of this Form 10-Q with the SEC, and determined there have not been any events that have occurred that would require adjustments to our unaudited Condensed Financial Statements.

The information contained in this report on Form 10-Q should be read in conjunction with our Form 10-K for the Company's fiscal year ended December 31, 2013.

## ESTIMATES

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

## FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company adopted FASB ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, and establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

Cash and cash equivalents include money market securities that are considered to be highly liquid and easily tradable as of September 30, 2014 and 2013. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

The carrying amounts of financial instruments, including accounts receivable, accounts payable and accrued liabilities, and promissory note, approximated fair value as of September 30, 2014 and 2013, because of the relatively short-term maturity of these instruments and their market interest rates.

## CASH AND CASH EQUIVALENTS

The majority of cash is maintained with a major financial institution in the United States. Deposits with this bank may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed on demand and, therefore, bear minimal risk. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

## REVENUE RECOGNITION - Ace Marketing

Revenue is recognized when title and risk of loss transfers to the customer and the earnings process is complete. In general, title passes to our customers upon the customer's receipt of the merchandise. Revenue is recognized on a gross basis since the Company has the risks and rewards of ownership, latitude in selection of vendors and pricing, and bears all credit risk. Advance payments made by customers are included in customer deposits. The Company records all shipping and handling fees billed to customers as revenues and related costs as cost of goods sold, when incurred. Additional source of revenue, derived from emails/texts directly to consumers are recognized under contractual arrangements. Revenue from this advertising method is recognized at the time of service provided.

## Revenue Recognition – Mobiquity Networks

Mobiquity has three avenues of income with our beacon platform, Bluetooth Push and Wi-Fi. Revenue is realized with the signing of the contract. The customer signs for a specific campaign costing a specific amount billed before the campaign is put into action. Revenue is recognized the same way for the three avenues of income.

The first option to earn revenue with the beacon platform is for customers to do campaigns, advertising on our platform, either directly through their app or through 3rd party apps. The second option to earn revenue is through a share on campaigns, a retailer would install our beacon SDK on their app, to which they would sell advertising on. Revenue they earn would be shared with Mobiquity. The third option would be though selling data.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS** - Management must make estimates of the uncollectability of accounts receivable. Management specifically analyzes accounts receivable and analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

**INVENTORY** - Inventory is recorded at cost (First In, First Out) and is comprised of finished goods. The Company maintains an inventory on hand for its largest customer's frequent order items. All items held are branded for the customer, therefore are not available for public distribution. The Company has an agreement with this customer, for cost recovery, if vendor relationship is terminated. There has been no reserves placed on inventory, based on this arrangement.

**PROPERTY AND EQUIPMENT** - Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are being amortized using the straight-line method over the estimated useful lives of the related assets or the remaining term of the lease. The costs of additions and improvements, which substantially extend the useful life of a particular asset, are capitalized. Repair and maintenance costs are charged to expense. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and the gain or loss on disposition is reflected in operating income.

**LONG LIVED ASSETS** - Long-lived assets such as property, equipment and identifiable intangibles are reviewed for impairment whenever facts and circumstances indicate that the carrying value may not be recoverable. When required impairment losses on assets to be held and used are recognized based on the fair value of the asset. The fair value is determined based on estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. If the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risk associated with the recovery of the assets. We did not recognize any impairment losses for any periods presented.

**WEBSITE TECHNOLOGY** - Website technology developed during the year was capitalized for the period of development and testing. Expenditures during the planning stage and after implementation have been expensed in accordance with ASC985.

**ADVERTISING COSTS** - Advertising costs are expensed as incurred. For the three months ended September 30, 2014 and 2013 there were advertising costs of zero and \$500, respectively. In the nine months ended September 30, 2014 and 2013, there were advertising costs of \$288 and \$3,840, respectively.

**ACCOUNTING FOR STOCK BASED COMPENSATION** - Stock based compensation cost is measured at the grant date fair value of the award and is recognized as expense over the requisite service period. The Company uses the Black-Sholes option-pricing model to determine fair value of the awards, which involves certain subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them (“expected term”), the estimated volatility of the Common Stock price over the expected term (“volatility”) and the number of options for which vesting requirements will not be completed (“forfeitures”). Changes in the subjective assumptions can materially affect estimates of fair value stock-based compensation, and the related amount recognized on the consolidated statements of operations.

**BENEFICIAL CONVERSIONS** - Debt instruments that contain a beneficial conversion feature are recorded as deemed interest to the holders of the convertible debt instruments. The beneficial conversion is calculated as the difference between the fair value of the underlying Common Stock less the proceeds that have been received for the debt instrument limited to the value received. The beneficial conversion amount is recorded as interest expense and an increase to additional paid-in-capital. The beneficial conversion has been fully accreted to the face value of the original loan and interest expense has been recognized.



**FOREIGN CURRENCY TRANSLATIONS** - The Company's functional and reporting currency is the U.S. dollar. We own a subsidiary in Europe. Our subsidiary's functional currency is the EURO. All transactions initiated in EUROS are translated into U.S. dollars in accordance with ASC 830-30, "*Translation of Financial Statements*," as follows:

- (i) Monetary assets and liabilities at the rate of exchange in effect at the balance sheet date.
- (ii) Fixed assets and equity transactions at historical rates.
- (iii) Revenue and expense items at the average rate of exchange prevailing during the period.

Adjustments arising from such translations are deferred until realization and are included as a separate component of stockholders' equity as a component of comprehensive income or loss. Therefore, translation adjustments are not included in determining net income (loss) but reported as other comprehensive income.

No significant realized exchange gains or losses were recorded since March 7, 2013 (date of acquisition of subsidiary) to September 30, 2014.

**INCOME TAXES** - Deferred income taxes are recognized for temporary differences between financial statement and income tax basis of assets and liabilities for which income tax or tax benefits are expected to be realized in future years. A valuation allowance is established to reduce deferred tax assets, if it is more likely than not, that all or some portion of such deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The revenue recognition standard affects all entities that have contracts with customers, except for certain items. The new revenue recognition standard eliminates the transaction and industry specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue recognition. Public entities are required to adopt the revenue recognition standard for reporting periods beginning after December 15, 2016, and interim and annual reporting periods thereafter. Early adoption is not permitted for public entities. The Company has reviewed the applicable ASU and has not, at the current time, quantified the effects of this pronouncement, however management believes that there will be no material effect on the consolidated financial statements.

In September 2014, FASB issued Accounting Standards Update (ASU) No. 2014-12 *Compensation — Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a*

*Performance Target Could Be Achieved after the Requisite Service Period.* A performance target in a share-based payment that affects vesting and that could be achieved after the requisite service period should be accounted for as a performance condition under Accounting Standards Codification (ASC) 718, *Compensation — Stock Compensation*. As a result, the target is not reflected in the estimation of the award's grant date fair value. Compensation cost would be recognized over the required service period, if it is probable that the performance condition will be achieved. The guidance is effective for annual periods beginning after 15 December 2015 and interim periods within those annual periods. Early adoption is permitted. Management has reviewed the ASU and believes that they currently account for these awards in a manner consistent with the new guidance, therefore there is no anticipation of any effect to the consolidated financial statements.

We have reviewed the FASB issued Accounting Standards Update ("ASU") accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. The Company has carefully considered the new pronouncements that alter previous generally accepted accounting principles and does not believe that any new or modified principles will have a material impact on the corporation's reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of our financial management and certain standards are under consideration.

### **NOTE 3: LOSS PER SHARE**

Basic loss per common share is computed by dividing net loss by the weighted average number of shares of Common Stock outstanding during the period. Dilutive loss per share gives effect to stock options and warrants, which are considered to be dilutive Common Stock equivalents. Basic loss per common share was computed by dividing net loss by the weighted average number of shares of Common Stock outstanding. The number of common shares potentially issuable upon the exercise of certain options and warrants that were excluded from the diluted loss per common share calculation was approximately 37,304,000 and 23,179,000 because they are anti-dilutive as a result of a net loss for the three months ended September 30, 2014 and 2013, respectively.

**NOTE 4: CONVERTIBLE PROMISSORY NOTE**

In July 2014, the Company raised \$250,000 in gross proceeds from the sale of convertible promissory notes in the principal amount of \$250,000 with a maturity date of July 31, 2017. The noteholders also received Class CC Warrants to purchase 125,000 shares of common Stock, exercisable at \$1.20 per share through July 31, 2017. The placement agent received \$17,500 in cash, 25,000 shares of restricted Common Stock and five-year warrants to purchase 7,500 shares of Common Stock at an exercise price of \$.60 per share. The notes bear interest at the rate of 6% per annum with semi-annual payments to be paid on January 31<sup>st</sup> and July 31<sup>st</sup> of each year with the first interest payment due on January 31, 2015. At the option of the noteholder, the principal and accrued interest thereon is convertible at the greater of \$.50 per share or 85% of the average daily volume weighted average price of the Company's Common Stock on the OTCQB during the 20 trading days immediately preceding the applicable interest date or conversion date. In the event the Company's Common Stock has a closing sales price of at least \$1.00 per share on the OTCQB for a period of at least 10 trading days with an average daily volume weighted average of at least 25,000 shares, then the Company's promissory notes shall automatically converted into shares of the Company's Common Stock at 85% of the average VWAP during the 20 trading days immediately preceding the conversion date.

On June 12, 2012, the Company closed on a security agreement (the "Security Agreement") with TCA Global Credit Master Fund, LP, a Cayman Islands limited partnership ("TCA") related to a \$350,000 convertible promissory note issued by the Company in favor of TCA (the "Convertible Note") (see Note 13). The maturity date of the Convertible Note was December 2013, and the Convertible Note bears interest at a rate of twelve percent (12%) per annum. The Convertible Note was convertible into shares of Common Stock at a price equal to ninety-five percent (95%) of the average of the lowest daily volume weighted average price of the Common Stock during the five (5) trading days immediately prior to the date of conversion. The Convertible Note may be prepaid in whole or in part at the Company's option without penalty. The Security Agreement granted to TCA a continuing, first priority security interest in all of the Company's assets, wheresoever located and whether now existing or hereafter arising or acquired. The Company's wholly-owned subsidiary, Mobiquity Networks, Inc., also entered into a similar Security Agreement and Guaranty Agreement. On December 12, 2013, TCA sold its entire interest in the Company's \$350,000 secured promissory note to Thomas Arnost, a director of the Company, at face value. Mr. Arnost entered into an amendment to the note to extend the maturity date of the note to June 12, 2014, subject to his right to declare the note due and payable at any time in his sole discretion. Also, the interest rate was raised from 12% per annum to 15% per annum with interest payable monthly and the conversion price of the shares issuable upon conversion of the note was fixed at \$.30 per share. The due date of the note was further extended to December 12, 2014 and is convertible at the sole discretion of the noteholder. The noteholder immediately converted \$28,000 into 93,334 shares of Common Stock in December 2013. The principal balance on the note is \$322,000 as of September 30, 2014 and December 31, 2013.

The Company evaluated the terms of the new note in accordance with ASC Topic No. 815 - 40, *Derivatives and Hedging - Contracts in Entity's Own Stock*. The Company determined that the conversion feature did not meet the definition of a liability and therefore did not bifurcate the conversion feature and account for it as a separate derivative liability. The Company evaluated the conversion feature for a beneficial conversion feature. The effective conversion price was compared to the market price on the date of the note and was deemed to be less than the market value of underlying Common Stock at the inception of the note. Therefore, the Company recognized a beneficial conversion feature in the amount of \$116,667. The beneficial conversion feature was recorded as an increase in additional paid-in

capital and recognized interest expense in the year ended December 31, 2013.

#### NOTE 5: STOCK COMPENSATION

Compensation costs related to share-based payment transactions, including employee stock options, are recognized in the financial statements utilizing the straight line method for the cost of these awards. The Company's results for the three month periods ended September 30, 2014 and 2013 include employee share-based compensation expense totaling approximately \$504,000 and \$332,000, respectively. The Company's results for the nine month periods ended September 30, 2014 and 2013 include employee share-based compensation expense totaling approximately \$2,146,200 and \$1,383,600, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within selling, general and administrative expenses. No income tax benefit has been recognized in the statement of operations for share-based compensation arrangements due to a history of operating losses. The following table summarizes stock-based compensation expense for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Employee stock-based compensation - option grants	\$430,466	\$51,928	\$1,343,803	\$175,248
Employee stock-based compensation - stock grants	–	–	–	–
Non-Employee stock-based compensation - option grants	73,502	55,055	110,008	284,655
Non-Employee stock-based compensation - stock grants	–	186,904	370,748	812,401
Non-Employee stock-based compensation-stock warrant		38,110	321,603	111,334
Total	\$503,968	\$331,997	\$2,146,162	\$1,383,638

**NOTE 6: STOCK OPTION PLAN**

During Fiscal 2005, the Company established, and the stockholders approved, an Employee Benefit and Consulting Services Compensation Plan (the "2005 Plan") for the granting of up to 2,000,000 non-statutory and incentive stock options and stock awards to directors, officers, consultants and key employees of the Company. On September 9, 2005, the Board of Directors amended the Plan to increase the number of stock options and awards to be granted under the Plan to 4,000,000. During Fiscal 2009, the Company established a plan of long-term stock-based compensation incentives for selected Eligible Participants of the Company covering 4,000,000 shares. This plan was adopted by the Board of Directors and approved by stockholders in October 2009 and shall be known as the 2009 Employee Benefit and Consulting Services Compensation Plan (the "2009 Plan"). In September 2013, the Company's stockholders approved an increase in the number of shares covered by the 2009 Plan to 10,000,000. (The 2005 and 2009 Plans are collectively referred to as the "Plans" and the Company has a combined 14,000,000 shares available for issuance under the Plans.)

All stock options under the Plans are granted at or above the fair market value of the Common Stock at the grant date. Employee and non-employee stock options vest over varying periods and generally expire either 5 or 10 years from the grant date. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. For option grants, the Company will take into consideration payments subject to the provisions of ASC 718 "Stock Compensation", previously Revised SFAS No. 123 "Share-Based Payment" ("SFAS 123 (R)"). The fair values of these restricted stock awards are equal to the market value of the Company's stock on the date of grant, after taking into certain discounts. The expected volatility is based upon historical volatility of our stock and other contributing factors. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees. Previously, such assumptions were determined based on historical data.

The weighted average assumptions made in calculating the fair values of options granted during the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Expected volatility	78.68%	172.77%	46.67%	127.49%
Expected dividend yield		—		—
Risk-free interest rate	1.95%	.57%	2.43%	.78%
Expected term (in years)	6.25	5	8.34	5.57

Share	Weighted Average	Weighted Average	Aggregate Intrinsic
-------	------------------	------------------	---------------------

Edgar Filing: Mobiquity Technologies, Inc. - Form 10-Q

		Exercise Price	Remaining Contractual Term	Value
Outstanding, January 1, 2014	7,045,000	.63	2.04	\$ 314,750
Granted	6,785,000	.42	7.87	150,000
Exercised	—			
Cancelled & Expired	(100,000 )	.90		
Outstanding, September 30, 2014	13,730,000	.52	5.83	\$ 253,250
Options exercisable, September 30, 2014	12,063,332	.53	5.98	\$ 253,250

13

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2014 and 2013 was \$0.41 and \$0.42, respectively.

The aggregate intrinsic value of options outstanding and options exercisable at September 30, 2014 is calculated as the difference between the exercise price of the underlying options and the market price of the Common Stock for the shares that had exercise prices, that were lower than the \$0.35 closing price of the Common Stock on September 30, 2014.

As of September 30, 2014, the fair value of unamortized compensation cost related to unvested stock option awards was \$492,363.

The weighted average assumptions made in calculating the fair value of warrants granted during the three and nine months ended September 30, 2014 and 2013 are as follows:

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Expected volatility	0%	61.13%	138.35%	65.61%
Expected dividend yield		–		–
Risk-free interest rate	0%	.57%	1.49%	.78%
Expected term (in years)	0	2.03	4.42	4.13

	<b>Share</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value</b>
Outstanding, January 1, 2014	19,640,375	\$ .55	2.32	\$ –
Granted	5,566,339	\$ .70	3.73	–
Exercised	(185,000 )			
Expired	(1,447,800 )			
Outstanding, September 30, 2014	23,573,914	\$ .59	2.65	47,500

Warrants exercisable, September 30, 2014	23,573,914	\$ .59	2.65	\$ 47,500
---	------------	--------	------	-----------

**NOTE 7: CONSULTING AGREEMENTS AND SHARE BASED COMPENSATION**

For the year 2013, the Company issued an aggregate of 2,402,969 shares in connection with business advisory services, at a fair market value of \$1,048,091.

In January 2013, the Company issued to consultants, warrants to purchase 600,000 shares exercisable at \$.30 per share through January 2017. In September 2013, the Company issued to consultants, options to purchase 500,000 shares exercisable at \$.30 per share through April 11, 2018.

In February 2013, the Company entered into an additional financial consulting agreement for a period of 90 days. Pursuant to said agreement, the Company agreed to pay \$5,000 per month and to issue 100,000 restricted shares of Common Stock during the term of the agreement.



In April 2013, the Company entered into a business development and consulting contract for a term commencing in April and expiring December 31, 2013. Pursuant to said agreement, the Company agreed to pay the consultant a fee of \$5,000 per month, plus 1,500,000 shares of restricted Common Stock and warrants to purchase 500,000 restricted shares of Common Stock, exercisable at \$.30 per share, over a period of five years. The warrants contain cashless exercise provisions in the event there is not an effective registration statement covering the resale of the underlying shares.

On September 30, 2013, the Company entered into an agreement with a consultant to perform financial related services and to assist the Company in raising additional financing. For the consultant's services, the consultant received, irrespective of success or the amount raised, \$65,000 paid on or before December 31, 2013; \$150,000 paid on or about March 31, 2014 together with warrants to purchase 700,000 shares at an exercise price of \$.30 per share over a term of five years; and 150,000 shares of restricted Common Stock issuable on April 1, 2014.

On October 30, 2013, the Company entered into a consulting agreement with a term of six months. Pursuant to the consulting contract, the Company agreed to pay a monthly retainer of \$10,000 beginning November 1, 2013 and up to 350,000 shares and up to \$100,000 in discretionary bonuses. Of the 350,000 shares, 90,000 shares were issued in December 2013 and the remaining 260,000 shares were issued in February 2014. The \$100,000 discretionary bonus was paid in the first quarter of 2014. In February 2014, the board of directors approved and the Company entered into an amendment to the consulting agreement, to extend the contract for an additional three months through July 31, 2014. During the extension period, the Company will continue to pay consultant a fee of \$10,000 per month and the consultant is eligible to receive the same discretionary bonuses of up to 350,000 shares (or warrants) and up to an additional \$100,000 in discretionary cash bonuses.

On April 30, 2014, the Company entered into an agreement with a financial and business advisor to assist the Company in developing relationships with potential strategic business partners and to provide advice with respect to capital raising and other transactions. Pursuant to this agreement, the Company issued five-year warrants to purchase 1,000,000 shares of Common Stock which were fully vested no later than May 30, 2014. In the event the consultant introduces a strategic business partner, then a 1% finder's fee will be paid to consultant in the same form of consideration as that received by the Company.

The Company approved issuing 34,000 shares to a consultant in the second quarter of 2014 for technology services.

#### **NOTE 8: PRIVATE PLACEMENT FINANCING**

Since 1999, we have relied primarily on equity financings from outside investors to supplement our cash flow from operations. Since January 1, 2012, we have completed the various financing summarized below.

<b>Date</b>	<b>Dollar Amount</b>	<b># of Securities Sold</b>
January 2012	\$575,000	958,338 common shares and warrants to purchase 191,671 common shares; also issued 197,860 penalty shares for electing not to register resale of securities.
April 2012	270,000	Exercise of 900,000 warrants
April/May 2012	470,000	Issued preferred stock, which was subsequently converted into 1,361,333 shares and warrants to purchase 41,667 common shares
July 2012	606,240	Issued 2,020,799 common shares, 673,600 warrants and 258,333 additional common shares for failing to reach certain performance milestones.
November 2012	\$301,000	Issued 1,003,334 common shares and warrants to purchase 501,667 shares.
2013	5,562,816 (1)	Issued 19,125,000 common shares and warrants to purchase 9,562,000 shares
January/February 2014	2,160,300	Issued 7,201,000 common shares and warrants to purchase 3,600,000 shares
March 2014	500,000	Issued 2,000,000 common shares.
July 2014	1,000,000	Issued 2,000,000 shares and warrants to purchase 1,000,000 shares
July 2014	250,000 (2)	Issued convertible note in the principal amount of \$250,000 and warrants to purchase 125,000 shares

- 
- (1) Three of our officers and directors purchase a total of \$340,000 of securities sold in 2013/2014 private placements. Convertible notes: bear interest at 6%, with semiannual interest payments on January 31 and July 31, commencing on January 31, 2015; maturing on July 31, 2017, unless redeemed. At the option of the note holder the principle and accrued interest is convertible at the greater of \$0.50 per share or 85% of the variable weighted average price (2) "VWAP"). In the event of the Company's closing sales price of \$1.00 per share on the OTCQB for at least 10 trading days with a VWAP of at least 25,000 shares, then the Notes shall automatically convert at 85% of the VWAP. Each warrant is exercisable at the option of the warrant holder at an exercise price of \$1.20 per share through July 31, 2017.

**NOTE 9: SEGMENT INFORMATION**

Reportable operating segment is determined based on Mobiquity Technologies, Inc.'s management approach. The management approach, as defined by accounting standards which have been codified into FASB ASC 280, Segment Reporting," is based on the way that the chief operating decision-maker organizes the segments within an enterprise for making decisions about resources to be allocated and assessing their performance. Our chief operating decision-maker is our Chief Executive Officer and Chief Financial Officer.

While our results of operations are primarily reviewed on a consolidated basis, the chief operating decision-maker also manages the enterprise in two operating segments: (i) Ace Marketing and Promotions, Inc. captures Branding & Branded Merchandise (ii) Mobiquity Networks represent our Mobile Marketing.

Corporate management defines and reviews segment profitability based on the same allocation methodology as presented in the segment data tables below:

	Quarter Ended September 30, 2014		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks, Inc.	Total
Revenues, net	\$712,544	1,500	\$714,044
Operating (loss), before interest amortization, depreciation and taxes	(891,940)	(1,067,634)	(1,959,574)
Interest income	45		45
Interest (expense)	(40,621)		(40,621)
Depreciation and amortization	(26,506)	(54,250)	(80,756)
Net Loss	(959,022)	(1,121,884)	(2,080,906)
Assets at September 30, 2014	2,041,210	694,204	2,735,414

All intersegment sales and expenses have been eliminated from the table above.

	Nine Months Ended September 30, 2014		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks, Inc.	Total
Revenues, net	\$2,155,895	117,500	\$2,273,395

Operating (loss), before interest amortization, depreciation and taxes	(3,307,802)	(2,731,778)	(6,039,580)
Interest income	138		138
Interest (expense)	(64,111)		(64,111)
Depreciation and amortization	(78,170)	(165,744)	(243,914)
Net Loss	(3,449,945)	(2,897,522)	(6,347,467)
Assets at September 30, 2014	2,041,210	694,204	2,735,414

All intersegment sales and expenses have been eliminated from the table above.

#### NOTE 10: EMPLOYMENT CONTRACTS

On March 1, 2005, the Company entered into employment contracts with two of its officers, namely, Dean L. Julia and Michael D. Trepeta. The employment agreements provide for minimum annual salaries plus bonuses equal to 5% of pre-tax earnings (as defined) and other perquisites commonly found in such agreements. In addition, pursuant to the employment contracts, the Company granted the officers options to purchase up to an aggregate of 400,000 shares of Common Stock.

On August 22, 2007, the Company approved a three year extension of the employment contracts with two of its officers expiring on February 28, 2011. The employment agreements provided for minimum annual salaries with scheduled increases per annum to occur on every anniversary date of the contract and extension commencing on March 1, 2008. A signing bonus of options to purchase 150,000 shares granted to each executive were fully vested at the date of the grant and exercisable at \$1.20 per share through August 22, 2017. Ten year options to purchase 50,000 shares of Common Stock are to be granted at fair market value on each anniversary date of the contract and extension commencing March 1, 2008. Termination pay of one year base salary based upon the scheduled annual salary of each executive officer for the next contract year, plus the amount of bonuses paid (or entitle to be paid) to the executive for the current fiscal year of the preceding fiscal year, whichever is higher.

On April 7, 2010, the Board of Directors approved a five-year extension of the employment contract of Dean L. Julia and Michael D. Trepeta to expire on March 1, 2015. The Board approved the continuation of each officer's current salary and scheduled salary increases on March 1<sup>st</sup> of each year. The Board also approved a signing bonus of stock options to purchase 200,000 shares granted to each officer which is fully vested at the date of grant and exercisable at \$.50 per share through April 7, 2020; ten-year stock options to purchase 100,000 shares of Common Stock to be granted to each officer at fair market value on each anniversary date of the contract and extension thereof commencing March 1, 2011; and termination pay of one year base salary based upon the scheduled annual salary of each executive officer for the next contract year plus the amount of bonuses paid or entitled to be paid to the executive for the current fiscal year or the preceding fiscal year, whichever is higher. In the event of termination, the executives will continue to receive all benefits included in the employment agreement through the scheduled expiration date of said employment agreement prior to the acceleration of the termination date thereof.

In July 2012, the Company approved and in January 2013 the Company implemented amending the employment agreements of Messrs. Julia and M. Trepeta to expire on February 28, 2017, subject to an automatic one year renewal on March 1, 2013 and on each March 1<sup>st</sup> thereafter, unless the Employment Agreement is terminated in accordance with its terms on or before December 30<sup>th</sup> of the prior calendar year. In the event of termination without cause, the executives will continue to receive all salary and benefits included in the employment agreement through the scheduled expiration date of said employment agreement prior to the acceleration of the termination date thereof, plus one year termination pay.

On May 28, 2013, the Company approved amending the employment agreements of Messrs. Julia and Trepeta to provide that each officer may choose an annual bonus equal to 5% of pre-tax earnings for the most recently completed year before deduction of annual bonuses paid to officers or, in the event majority control of the Company is acquired by a person or a group of persons during the prior fiscal year, the officer may choose to receive the aforementioned bonus or 1% of the control consideration paid by acquirer(s) to acquire majority control of the Company.

#### **NOTE 11: FACILITIES**

In February 2012, the Company entered into a lease agreement for new executive office space of approximately 4,200 square feet located at 600 Old Country Road, Suite 541, Garden City, NY 11530. The lease agreement is for 63 months, commencing April 2012 and expiring September 2017. The annual rent under this office facility for the first year is estimated at \$127,000, including electricity, subject to an annual increase of 3%. In the event of a default in which the Company is evicted from the office space, Mobiquity would be responsible to the landlord for an additional payment of rent of \$160,000 in the first year of the lease, an additional payment of \$106,667 in the second year of the lease and an additional payment of rent of \$53,333 in the third year of the lease. Such additional rent would be payable at the discretion of the Company in cash or in Common Stock of the Company.

In July of 2014, the Company acquired additional rental space on a month to month basis to provide working space for the Mobiquity segment of the Company. The additional space is located in the current office building as the executive offices, located at 600 Old Country Road in Garden City New York.

The Company leases office space under non-cancelable operating leases in Farmingville, NY expiring in November 2014. The Company is obligated for the payment of real estate taxes under these leases. The Company is also currently leasing additional office space on a month-to-month basis. The Company also leases approximately 1,200 square feet of office and warehouse space in Spain at a monthly cost of approximately \$2,200. Minimum future rentals under non-cancelable lease commitments are as follows:

YEARS ENDING DECEMBER 31,

2014	32,000
2015	135,000
2016	139,000
2017 and thereafter	36,000
	\$342,000

Rent and real estate tax expense was approximately \$359,762 and \$199,704 for the three months ended September 30, 2014 and 2013, respectively. Rent and real estate tax expense was approximately \$955,283 and \$595,291 for the nine months ended September 30, 2014 and 2013, respectively.

In July 2014, we entered into an amendment to our master lease agreement with Simon Property Group. This amendment provides for us to expand our location-based mobile mall network footprint to 240 Simon malls across the United States. Our agreement with Simon currently expires December 31, 2017, subject to possible annual extension pursuant to the terms of said agreement. Our agreement with Simon requires the company to maintain letters of credit for each calendar year under the agreement represented by the minimum amount of rent due for such calendar year. For 2015, the minimum rent of \$2.7 million has been secured through two bank letters of credit, one of which was issued in the amount of \$1,350,000 utilizing the funds of a non-affiliated stockholder and the second letter of credit was obtained in the same amount through the funds of Thomas Arnost, our Executive Chairman. In the event Simon draws down upon either letter of credit, we have 30 days after the draw down to obtain replacement letters of credit. Each person who secured our letters of credit has the opportunity to notify us that they wish to turn the cash funds securing the letters of credit over to us and to convert such funds into Common Stock at a conversion price of \$1.00 per share. In the event Mr. Arnost were to elect to convert his letter of credit into shares of Common Stock, he would receive 1,350,000 shares of Common Stock. Also, each person who issued the letter of credit is receiving quarterly, while the letters of credit are outstanding, options to purchase 12,500 shares of Common Stock, exercisable at the prevailing market price per share on the date of grant and interest at the rate of 6% per annum on the monies that they have had to set aside in their bank accounts and are unable to have access to such monies.

**NOTE 12: ACQUISITION OF CERTAIN ASSETS OF FUTURLINK**

In March 2013, the Company formed as a wholly-owned subsidiary, Mobiquity Wireless, SLU in Spain. Mobiquity Wireless then acquired the assets of FuturLink at a cost of approximately \$160,200, which cash was paid from the Company's current working capital. These assets include, without limitation, the FuturLink technology (U.S. patent applications and source codes), trademark(s) and access point (proximity marketing) component parts.

As the technology owner, the Company realized immediate benefits and will leverage the hardware and software included in its purchase to expand its mall-based footprint in the United States. The acquisition of FuturLink's technology and corresponding U.S. patent applications provides the Company with the flexibility and autonomy to; improve, upgrade and integrate new ideas and cutting edge technologies into its existing platform. This will allow the Company to evolve as new technologies emerge.

The Company believes that the intellectual property of FuturLink which is now owned by the Company will be a valuable asset to the Company as it moves forward with its technology platform. In the event our intellectual property positions are challenged, invalidated, circumvented or expire, or if we fail to prevail in future intellectual property litigation, our business could be adversely affected. Our success depends in part on our ability to defend our intellectual property rights. Third parties may seek to challenge, invalidate or circumvent our intellectual property rights. In addition, our intellectual property positions might not protect us against competitors with similar products or technologies because competing products or technologies may not infringe our intellectual property rights. Also, there are third parties who have patents or pending patent applications that they may claim necessitate payment of a royalty or prevent us from commercializing our proprietary rights in certain territories. Intellectual property disputes are frequent, costly and can preclude, delay or increase the cost of commercialization of products and/or services.

**NOTE 13: COMMITTED EQUITY FACILITY AGREEMENT/REGISTRATION RIGHTS AGREEMENT**

On December 12, 2012, the Company finalized a committed equity facility (the "Equity Facility") with TCA whereby the parties entered into as of May 31, 2012 (i) a committed equity facility agreement (the "Equity Agreement") and (ii) a registration rights agreement (the "Registration Rights Agreement").

*Committed Equity Facility Agreement*

On December 12, 2012, the Company finalized an Equity Agreement with TCA. Pursuant to the terms of the Equity Agreement, for a period of twenty-four months commencing on the effective date of the Registration Statement (as

defined herein), TCA shall commit to purchase up to \$2,000,000 of Common Stock (the “Shares”), pursuant to Advances (as defined below), covering the Registrable Securities (as defined below). The purchase price of the Shares under the Equity Agreement is equal to ninety-five percent (95%) of the lowest daily volume weighted average price of the Common Stock during the five (5) consecutive trading days after the Company delivers to TCA an Advance notice in writing requiring TCA to advance funds (an “Advance”) to the Company, subject to the terms of the Equity Agreement.

The “Registrable Securities” include (i) the Shares; and (ii) any securities issued or issuable with respect to the Shares by way of exchange, stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise.

As further consideration for TCA entering into and structuring the Equity Facility, the Company shall pay to TCA a fee by issuing to TCA that number of shares of the Common Stock that equal a dollar amount of one hundred thousand dollars (\$100,000) (the “Facility Fee Shares”). In the event the value of the Facility Fee Shares issued to TCA does not equal \$100,000 after a ninth month evaluation date, the Equity Agreement provides for an adjustment provision allowing for necessary action to adjust the number of shares issued. In September 2012, the Company issued 196,078 shares of Common Stock as the initial Facility Fee Shares. In March 2013, TCA notified the Company that the facility fee of \$100,000 needed to be paid in additional shares or cash. In this respect, the 196,078 shares of Common Stock previously advance by the Company to TCA toward the facility fee were sold by TCA and it realized net proceeds of approximately \$48,000. In March 2013, the Company elected to pay the remaining facility fee in cash.



*Registration Rights Agreement*

On December 12, 2012, the Company finalized the Registration Rights Agreement with TCA. Pursuant to the terms of the Registration Rights Agreement, the Company is obligated to file a registration statement (the “Registration Statement”) with the U.S. Securities and Exchange Commission (the “SEC”) to cover the Registrable Securities. The Company must use its commercially reasonable efforts to cause the Registration Statement to be declared effective by the SEC. The Registration Statement on Form S-1 was filed by the Company with the SEC in March 2013 and was declared effective by the SEC in April 2013.

*Termination of Committed Equity Facility Agreement and Registration Rights Agreement*

In March 2014, the Company and TCA agreed to terminate the Committed Equity Facility Agreement and Registration Rights Agreement with no further obligations to each other. A total of 8,000 shares were sold pursuant to the Facility Agreement. On April 22, 2014, the Company removed from registration the unsold 4,992,000 shares of Common Stock.

**NOTE 14: COMMON STOCK PURCHASE AGREEMENT**

On March 31, 2014, the Company entered into a common stock purchase agreement (referred to herein as the “Purchase Agreement”), with Aspire Capital Fund, LLC, an Illinois limited liability company (referred to herein as “Aspire Capital”), which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of \$15.0 million of Common Stock over the approximately 24-month term of the Purchase Agreement. In consideration for entering into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, we issued to Aspire Capital 1,000,000 shares of Common Stock as a commitment fee (referred to in herein as the “Commitment Shares”). Upon execution of the Purchase Agreement, we sold to Aspire Capital 1,000,000 shares of Common Stock (referred to herein as the “Initial Purchase Shares”). Concurrently with entering into the Purchase Agreement, we also entered into a registration rights agreement with Aspire Capital (referred to herein as the “Registration Rights Agreement”), in which we agreed to file one or more registration statements as permissible and necessary to register under the Securities Act of 1933, as amended, or the Securities Act, the sale of the shares of Common Stock that have been and may be issued to Aspire Capital under the Purchase Agreement.

Pursuant to the Purchase Agreement and the Registration Rights Agreement, the Company was obligated to register 15,000,000 shares of Common Stock under the Securities Act, which includes the Commitment Shares and Initial Purchase Shares that have already been issued to Aspire Capital and an additional 13,000,000 shares of Common Stock which the Company may issue to Aspire Capital after the registration statement is declared effective under the

Securities Act. Said Registration Statement was declared effective by the SEC on April 28, 2014.

Since April 28, 2014, the effective date of the Registration Statement, on any trading day on which the closing sale price of our Common Stock exceeds \$0.16, we have the right, in our sole discretion, to present Aspire Capital with a purchase notice (each, a "Purchase Notice"), directing Aspire Capital (as principal) to purchase up to 200,000 shares of Common Stock per trading day, provided that the aggregate price of such purchase shall not exceed \$250,000 per trading day, up to \$15.0 million of Common Stock in the aggregate at a per share price (the "Purchase Price") calculated by reference to the prevailing market price of the Common Stock (as more specifically described below).

In addition, on any date on which we submit a Purchase Notice for 200,000 shares to Aspire Capital and the closing sale price of the Common Stock is equal to or greater than \$0.50 per share, we also have the right, in our sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice (each, a "VWAP Purchase Notice") directing Aspire Capital to purchase an amount of stock equal to up to 30% of the aggregate shares of Common Stock traded on the OTCQB on the next trading day (the "VWAP Purchase Date"), subject to a maximum number of shares we may determine (the "VWAP Purchase Share Volume Maximum") and a minimum trading price (the "VWAP Minimum Price Threshold") (as more specifically described below). The purchase price per Purchase Share pursuant to such VWAP Purchase Notice (the "VWAP Purchase Price") is calculated by reference to the prevailing market price of Common Stock (as more specifically described below).

The Purchase Agreement provides that the Company and Aspire Capital shall not affect any sales under the Purchase Agreement on any purchase date where the closing sale price of the Common Stock is less than \$0.16 per share (the "Floor Price"). This Floor Price and the respective prices and share numbers in the preceding paragraphs shall be appropriately adjusted for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction. There are no trading volume requirements or restrictions under the Purchase Agreement, and the Company will control the timing and amount of any sales of Common Stock to Aspire Capital. Aspire Capital has no right to require any sales by us, but is obligated to make purchases from us as the Company directs in accordance with the Purchase Agreement. There are no limitations on use of proceeds, financial or business covenants, restrictions on future fundings, rights of first refusal, participation rights, penalties or liquidated damages in the Purchase Agreement. The Purchase Agreement may be terminated by the Company at any time, at its discretion, without any penalty or cost to the Company.

**NOTE 15: SUBSEQUENT EVENTS**

In November 2014, the Company borrowed on an unsecured basis \$2.5 million. These loans are repayable in two years together with interest at the rate of 4% per annum.

The Company has evaluated all subsequent events through the filing date of this Form 10-Q for appropriate accounting and disclosures.



## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information contained in this Form 10-Q is intended to update the information contained in the Company's Form 10-K for its fiscal year ended December 31, 2013 which includes our audited financial statements for the year ended December 31, 2013 and such information presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and other information contained in such Form 10-K and other Company filings with the Securities and Exchange Commission ("SEC").

### **Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, and actual results could be significantly different than those discussed in this Form 10-Q. Certain statements contained in Management's Discussion and Analysis, particularly in "Liquidity and Capital Resources," and elsewhere in this Form 10-Q are forward-looking statements. These statements discuss, among other things, expected growth, future revenues and future performance. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions within the bounds of our knowledge of our business, a number of factors could cause actual results to differ materially from those expressed in any forward-looking statements, whether oral or written, made by us or on our behalf. The forward-looking statements are subject to risks and uncertainties including, without limitation, the following: (a) changes in levels of competition from current competitors and potential new competition, (b) possible loss of customers, and (c) the company's ability to attract and retain key personnel, (d) The Company's ability to manage other risks, uncertainties and factors inherent in the business and otherwise discussed in this 10-Q and in the Company's other filings with the SEC. The foregoing should not be construed as an exhaustive list of all factors that could cause actual results to differ materially from those expressed in forward-looking statements made by us. All forward-looking statements included in this document are made as of the date hereof, based on information available to the Company on the date thereof, and the Company assumes no obligation to update any forward-looking statements.

### **Company Overview**

We operate a national location-based mobile advertising network that has developed a consumer-focused proximity network unlike any other in the United States. Our integrated suite of proprietary location based mobile advertising technologies allows clients to execute more personalized and contextually relevant experiences, driving brand awareness and incremental revenue. We have currently installed our location-based mobile advertising solutions in approximately 180 locations as of October 2014 and are currently expanding to 240 retail destinations across the U.S. to create "smart malls" using Bluetooth-enabled iBeacon compatible technology. We plan to expand outside the malls

with additional synergistic venues that will allow for cross marketing opportunities in such venues as stadiums, arenas, additional college campuses, airports and retail chains. For example, we have entered into an agreement with the New York State University at Stony Brook to deploy a mobile advertising network in their new arena. This type of installation will enable fan engagement, cross-marketing opportunities, sponsorship activation and create interactive event experiences. This is our first installation in the university market.

We operate through our wholly-owned subsidiaries, Ace Marketing & Promotions, Inc. and Mobiquity Networks, Inc. Mobiquity Networks operates an office in Spain, which operates under a wholly-owned Spanish subsidiary. Ace Marketing is our legacy marketing and promotions business which provides integrated marketing services to our commercial customers. While Ace Marketing currently represents substantially all of our revenue, we anticipate that activity from Ace Marketing will represent a diminishing portion of corporate revenue as our attention is now principally focused on developing and executing on opportunities in our Mobiquity Networks business.

We believe that our Mobiquity Networks business represents our greatest growth opportunity going forward. This business unit is well positioned as a result of our early mover status and novel technology integration to address a rapidly growing segment of the digital advertising market – location based mobile marketing. We expect that Mobiquity Networks will generate the majority of our revenue by the end of 2015, although no assurances can be given in this regard.

#### *Mobiquity Hardware Solutions*

Our Mobiquity hardware solutions which are currently deployed in retail locations (and in the future may be deployed at other venues such as stadiums, arenas, college campuses and airports) to create the Mobiquity network may include Mobi-Units, Mobi-Beacons and Mobi-Tags. Mobi-Units utilize both Bluetooth and Wi-Fi to communicate with all mobile devices, including smart phones and feature phones. When our Mobi-Units are in use, consumers have the choice through an opt-in process to receive only desired content and offers. Additionally, through the use of Wi-Fi, consumers can connect to view content and receive special offers. Mobi-Beacons, which utilize Bluetooth LE 4.0 technology, can dramatically enhance the in-app experience through the use of hyper accurate location event data. Our Mobi-Beacons have been developed to meet or exceed all iBeacon standards. Importantly, Mobiquity Networks has developed a proprietary method for encrypting and decrypting its beacon signals on a rolling basis to ensure that its beacon network remains fully secure, and exclusively for the beneficial use of our clients. Mobi-Tags interact with smart phones utilizing quick response codes and near field communication and can promote app downloads, social media engagement and database building.

### *Our Single Integrated Platform*

Our Mobiquity Platform employs a number of core mobile solutions such as; Bluetooth, Wi-Fi, Near Field Communication and Quick Response Codes in order to engage with nearly 100% of mobile device types. The platform also allows for plug-in solutions to be added to increase our service offerings and add complementary revenue streams. For example, in addition to our advertising network, numerous plug-ins can be added for services such as loyalty programs, indoor mapping and mobile payments. We have developed an online platform that integrates the hardware and facilitates campaign management and reporting across the installed network. Our clients can use the network to deploy mobile ad campaigns simultaneously across multiple delivery methods, paying a cost per engagement fee. Alternatively, clients can subscribe to our Location Signal Service to access real-time contextual beacon signals to drive localized in-app user activity. We believe that no other competitive solution offers a platform that integrates the depth and range of mobile advertising tools combined with a nationally deployed hardware network.

Our Mobiquity Networks business monetizes its network by providing clients with access to our exclusive common-area beacon signals. By incorporating our SDK, the client app (or campaign-specific 3<sup>rd</sup> party app) can access the beacon signals provided by our network, and leverage those signals plus the associated contextual information provided by our platform to trigger location-based campaign messaging. We plan to generate revenue several ways including by collecting a fee for licensing our location signals, the engagement rate of our customer advertising campaigns and the data gathered by our network.

### *The Network*

Through our agreement with Simon Property Group, we are in the process of installing our Mobiquity hardware solutions throughout 240 of their top shopping malls across the US with installation already completed in 180 malls. An additional 60 malls are expected to join the network on or before March 1, 2015. Our agreement with Simon Property Group provides exclusive Bluetooth advertising rights in the common areas of each of the 240 shopping malls in the US. Our hardware solutions mesh together to create our network, which according to Simon Property Group, provides advertisers the opportunity to reach approximately 2.6 billion annual mall visits with mobile content and offers when they are most receptive to spending, while located in the mall. The 2014 annual report for the International Council of Shopping Centers (ICSC) indicates that shoppers spend on average over \$97 per shopping mall visit. Accordingly, our network when fully installed provides advertisers the ability to influence over \$250 billion of annual spending.

### **Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of financial statements requires management to make estimates and disclosures on the date of the financial statements. On an on-going basis, we evaluate our estimates including, but not limited to, those related to revenue recognition. We use authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates. We believe that the following critical accounting policies affect our more significant judgments and estimates in the preparation of our financial statements.

**REVENUE RECOGNITION (Ace Marketing)** - Revenue is recognized when title and risk of loss transfers to the customer and the earnings process is complete. In general, title passes to our customers upon the customer's receipt of the merchandise. Revenue is recognized on a gross basis since the Company has the risks and rewards of ownership, latitude in selection of vendors and pricing, and bears all credit risk. Advance payments made by customers are included in customer deposits.

**Revenue Recognition (Mobiquity Networks)** - Mobiquity has three avenues of income with our beacon platform, Bluetooth Push and Wi-Fi. Revenue is realized with the signing of the contract. The customer signs for a specific campaign costing a specific amount billed before the campaign is put into action. Revenue is recognized the same way for the three avenues of income.

The first option to earn revenue with the beacon platform is for customers to do campaigns, advertising on our platform, either directly through their app or through 3rd party apps. The second option to earn revenue is through a share on campaigns, a retailer would install our beacon SDK on their app, to which they would sell advertising on. Revenue they earn would be shared with Mobiquity. The third option would be through selling data.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS.** We are required to make judgments based on historical experience and future expectations, as to the realizability of our accounts receivable. We make these assessments based on the following factors: (a) historical experience, (b) customer concentrations, customer credit worthiness, (d) current economic conditions, and (e) changes in customer payment terms.

**ACCOUNTING FOR STOCK BASED COMPENSATION.** Stock based compensation cost is measured at the grant date fair value of the award and is recognized as expense over the requisite service period. The Company uses the Black-Sholes option-pricing model to determine fair value of the awards, which involves certain subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them (“expected term”), the estimated volatility of the Company’s common stock price over the expected term (“volatility”) and the number of options for which vesting requirements will not be completed (“forfeitures”). Changes in the subjective assumptions can materially affect estimates of fair value stock-based compensation, and the related amount recognized on the consolidated statements of operations.



## Plan of Operation

Our goal is to enhance the shopper experience with retail customers by providing valuable and relevant content in real-time based on location. We achieve this goal by providing our customers (such as retailers, brands, and the entertainment industry) with a highly targeted form of mobile marketing engagement. Our platform enables interaction and advertising based on time, location and personalization to create the most effective campaigns/experiences possible, in a way that is not possible without our network. We connect fans and brands in the retail space by increasing individual retail location app usage and driving foot traffic to such individual retail locations. We are deploying our Mobiquity hardware solution to expand the capability of the Mobiquity network in 240 Simon malls in the United States. As we complete the expansion of our mall footprint on or before March 1, 2015, we anticipate expanding our sales and marketing human resource capability to focus on generating revenue over our network. Our sales and marketing team will be seeking to generate revenue over our network through five primary verticals:

1. Retailers, Brands and Apps relevant to the shopping experience.
2. Shopping/Coupon related Apps with relevant offers.
3. Entertainment Apps relevant to the shopper demographic.
4. Advertising Networks and Exchanges serving location relevant ads.
5. Data Analytic and Social Media Apps requesting real-time location based signal.

We plan to expand on our current footprint with synergistic venues that will allow for cross marketing opportunities. Such venues include but are not limited to; stadiums, arenas, college campuses, airports and retail chains. The purpose of this type of expansion will be to create a unified network that will allow relevant beacon companies the opportunity to become part of the Mobiquity network. Other examples include retail applications where a retail chain may be utilizing beacon technology provided by third party licensors to advertise and promote within the retail chains' various stores. They may find it advantageous to become part of our network, so they will have the ability to drive traffic into the stores. We also plan to build a Private Ad Exchange that will allow for programmatic buying where advertisers will be given permission to engage with shoppers through the Mobiquity network. Additionally, we plan to add other mobile services and plug-ins such as; loyalty programs, indoor mapping, security and mobile payments.

## Results of Operations

The following table sets forth certain selected unaudited condensed statement of operations data for the periods indicated in dollars and as a percentage of total net revenues. The following discussion relates to our results of operations for the periods noted and is not necessarily indicative of the results expected for any other interim period or any future fiscal year. In addition, we note that the period-to-period comparison may not be indicative of future performance.

	<b>Three Months Ended</b>	
	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
Revenue	\$714,044	\$668,719
Cost of Revenues	\$610,119	\$441,061
Gross Profit	\$103,925	\$227,658
Selling, General and Administrative Expenses	\$2,144,255	\$1,396,637
(Loss) from Operations	\$(2,040,330)	\$(1,168,979)

We generated revenues of \$714,044 in the third quarter of 2014 compared to \$668,719 in the same three month period ending September 30, 2013. The increase in revenues of \$45,325 in 2014 compared to 2013 was due to the efforts of our Ace commissioned sales representatives in selling our legacy marketing and promotions business, which provides integrated marketing services to our commercial customers. In 2015, we anticipate our revenues increasing in our Mobiquity Networks subsidiary due to the implementation of our Mobi-Beacons and the expectation of advertisers utilizing our mall network.

Cost of revenues was \$610,119 or 84.5% of revenues in the third quarter of 2014 compared to \$441,061 or 65.9% of revenues in the same three months of 2013. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. The change in cost of revenues of \$169,058 in 2014 is related to volume and product mix of the products our customers purchased.

Gross profit was \$103,925 in the third quarter of 2014 or 14.6% of net revenues compared to \$227,658 in the same three months of 2013 or 34.0% of revenues. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold and the volume of product sold. Also, it is our practice to pass freight costs on to our customers with low to no profit margin. As advertising revenue from the use of our Mobiquity devices increases, it is expected that our margins will increase significantly. At the current time, revenues from the use of our Mobiquity devices are not a material portion of our consolidated revenues.

Selling, general, and administrative expenses were \$2,144,255 in the third quarter of 2014 compared to \$1,396,637 in the same three months of 2013, an increase of approximately \$747,600. Such operating costs include payroll and related expenses, commissions, insurance, rents, professional (consulting) and public awareness fees. The majority of the increase in operating expenses pertains to the non-cash issuance of stock based compensation of \$171,971, increased salaries of approximately 10 new employees of \$216,031 and increased rent to Simon Property Group for our expanding mall network of \$160,057.

The third quarter 2014 loss from operations was \$(2,040,330) as compared to \$(1,168,979) for the comparable period of the prior year, an increased loss of \$871,351. The increase in operating loss is attributable to the focused effort in creating the infrastructure required to move forward with the mall network, and the hiring of additional Company personnel to provide information technology support, sales and office employees.

No benefit for income taxes is provided for in the reported periods due to the full valuation allowance on the net deferred tax assets. Our ability to be profitable in the future is dependent upon both a turnaround in the United States economy and the successful introduction and usage of our proximity marketing services by our clients.

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
Revenue	\$2,273,395	\$2,263,812
Cost of Revenues	\$1,859,497	\$1,652,449
Gross Profit	\$413,898	\$611,363
Selling, General and Administrative Expenses	\$6,697,392	\$4,658,596
(Loss) from Operations	\$(6,283,494)	\$(4,047,233)

We generated revenues of \$2,273,395 in the first nine months of 2014 compared to \$2,263,812 in the same nine month period ending September 30, 2013. The change in revenues from 2014 to 2013 was \$9,583. In 2015, we anticipate our revenues increasing in our Mobiquity Networks subsidiary due to the implementation of our Mobi-Beacons and the expectation that advertisers will be utilizing our mall network.

Cost of revenues was \$1,859,497 or 81.7% of revenues in the first nine months of 2014 compared to \$1,652,449 or 73.0% of revenues in the same nine months of 2013. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. The change in cost of revenues of \$207,048 in 2014 is related to volume and product mix of the products our customers purchased.

Gross profit was \$413,898 in the first nine months of 2014 or 18.3% of net revenues compared to \$611,363 in the same nine months of 2013 or 27.0% of revenues. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold and the volume of product sold. Also, it is our practice to pass freight costs on to our customers with low to no profit margin. As advertising revenue from the use of our Mobiquity devices increases, it is expected that our margins will increase significantly. Due to the expansion efforts and infrastructure requirements, at the current time, revenues from the use of our Mobiquity devices are not a material portion of our consolidated revenues.

Selling, general, and administrative expenses were \$6,697,392 in the first nine months of 2014 compared to \$4,658,596 in the same nine months of 2013, an increase of approximately \$2,038,800. Such operating costs include payroll, \$531,996 and related expenses, commissions, insurance, rents, professional (consulting) and public awareness fees. A large portion of the increase in operating expenses pertains to the non-cash issuance of stock based compensation of \$762,523, an additional \$359,760 in rent expense to Simon Property Group for our expanding mall network located in the United States and additional salaries of \$531,996 for approximately 10 new employees.

The first nine months of 2014 loss from operations was \$(6,283,494) as compared to \$(4,047,233) for the comparable period of the prior year, an increased loss of \$2,236,261. The increase in operating loss is attributable to the focused effort in creating the infrastructure required to move forward with the mall network, and the hiring of additional Company personnel to provide information technology support, sales and office employees.

No benefit for income taxes is provided for in the reported periods due to the full valuation allowance on the net deferred tax assets. Our ability to be profitable in the future is dependent upon both a turnaround in the United States economy and the successful introduction and usage of our proximity marketing services and Venn Media services by our clients.

### **Liquidity and Capital Resources**

We had cash and cash equivalents of \$1,460,473 at September 30, 2014. Cash used by operating activities for the nine months ended September 30, 2014 was \$3,990,197. This resulted primarily from a net loss of \$6,349,194 partially offset by decreases in accounts receivable of \$71,917 and a decrease of \$15,162 in prepaid expenses and other assets. Net cash of \$24,702 was used by investing activities to acquire property and equipment. Net cash was provided by financing activities totaling \$3,734,383 resulting from \$3,481,300 in the issuance of common stock and \$253,083 in loan proceeds.

We had cash and cash equivalents of \$1,523,779 at September 30, 2013. Cash used by operating activities for the nine months ended September 30, 2013 was \$2,820,961. This resulted primarily from a net loss of \$4,132,598 partially offset by decreases in accounts receivable of \$144,656 and a increase of \$347,152 in prepaid expenses and other assets. Net cash of \$24,358 was used by investing activities to acquire property and equipment. Net cash was provided by financing activities totaling \$4,006,500 resulting from the issuance of common stock.

We anticipate that our future liquidity requirements will arise from the need to finance our accounts receivable and inventories, hire additional sales persons, capital expenditures and possible acquisitions. The primary sources of funding for such requirements will be cash generated from operations, raising additional capital from the sale of equity or other securities and borrowings under debt facilities which currently do not exist. We believe that we can generate sufficient cash flow from these sources to fund our operations for at least the next twelve months. In the event we should need additional financing, we can provide no assurances that we will be able to obtain financing on terms satisfactory to us, if at all.

### **Recent Financings**

Since 1999, we have relied primarily on equity financings from outside investors to supplement our cash flow from operations. Since January 1, 2012, we have completed the various financing summarized below.

<b>Date</b>	<b>Dollar Amount</b>	<b># of Securities Sold</b>
January 2012	\$575,000	958,338 common shares and warrants to purchase 191,671 common shares; also issued 197,860 penalty shares for electing not to register resale of securities.
April 2012	270,000	Exercise of 900,000 warrants
April/May 2012	470,000	Issued preferred stock, which was subsequently converted into 1,361,333 shares and warrants to purchase 41,667 common shares
July 2012	606,240	Issued 2,020,799 common shares, 673,600 warrants and 258,333 additional common shares for failing to reach certain performance milestones.
November 2012	\$301,000	Issued 1,003,334 common shares and warrants to purchase 501,667 shares.
2013	5,562,816 (a)	Issued 19,125,000 common shares and warrants to purchase 9,562,000 shares
January/February 2014	2,160,300	Issued 7,201,000 common shares and warrants to purchase 3,600,000 shares
March 2014	500,000	Issued 2,000,000 common shares.
July 2014	1,000,000	Issued 2,000,000 shares and warrants to purchase 1,000,000 shares
July 2014	250,000	Issued convertible note in the principal amount of \$250,000 and warrants to purchase 125,000 shares
November 2014	\$2,500,000	Two-year promissory notes in the principal amount of \$2.5 million bearing interest at the rate of 4% per annum.

---

(a) Three of our officers and directors purchase a total of \$340,000 of securities sold in 2013/2014 private placements.

### **Entry into an Agreement with Aspire Capital**

On March 31, 2014, we entered into a common stock purchase agreement with Aspire Capital Fund, LLC, an Illinois limited liability company, which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of \$15.0 million of our shares of common stock over the approximately 24-month term of the purchase agreement. In consideration for entering into the purchase agreement, we issued to Aspire Capital 1,000,000 shares of our common stock as a commitment fee and we sold to Aspire Capital an additional 1,000,000 shares of common stock at a purchase price of \$500,000 for a total of 2,000,000 shares. Concurrently with entering into the purchase agreement, we also entered into a registration rights agreement with Aspire Capital in which we agreed to file one or more registration statements as permissible and necessary to register under the Securities Act of 1933, as amended, or the Securities Act, the sale of the shares of our common stock that have been and may be issued to Aspire Capital under the purchase agreement.

Pursuant to our agreements with Aspire Capital, we registered 15,000,000 shares of our common stock under the Securities Act, which includes the 2,000,000 shares that have already been issued to Aspire Capital and an additional 13,000,000 shares of common stock which we may issue to Aspire Capital after the registration statement is declared effective under the Securities Act. Said Registration Statement was declared effective by the SEC on April 28, 2014.

Since April 28, 2014, the effective date of our registration statement, on any trading day on which the closing sale price of our common stock exceeds \$.16, we have the right, in our sole discretion, to present Aspire Capital with a purchase notice, directing Aspire Capital (as principal) to purchase up to 200,000 shares of our common stock per trading day, provided that the aggregate price of such purchase shall not exceed \$250,000 per trading day, up to \$15.0 million of our common stock in the aggregate at a per share price calculated by reference to the prevailing market price of our common stock.

In addition, on any date on which we submit a purchase notice for 200,000 shares to Aspire Capital and the closing sale price of our stock is equal to or greater than \$.50 per share of Common Stock, we also have the right, in our sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice directing Aspire Capital to purchase an amount of stock equal to up to 30% of the aggregate shares of the company's common stock traded on the OTCQB on the next trading day, subject to a maximum number of shares we may determine and a minimum trading price.

There are no trading volume requirements or restrictions under our Aspire purchase agreement, and we will control the timing and amount of any sales of our common stock to Aspire Capital. Aspire Capital has no right to require any sales by us, but is obligated to make purchases from us as we direct in accordance with the purchase agreement. There are no limitations on use of proceeds, financial or business covenants, restrictions on future fundings, rights of first refusal, participation rights, penalties or liquidated damages in the purchase agreement. The purchase agreement may be terminated by us at any time, at our discretion, without any penalty or cost to us.

### **Entry into a Secured Promissory Note**

In December 2012, the Company issued a convertible promissory note in the principal amount of \$350,000 to TCA Global Credit Master Fund, an institutional lender, secured by all of the assets of the Company. In December 2013, Thomas Arnost, a director of Mobiquity, purchased from TCA Global Credit Master Fund, the Company's outstanding convertible promissory note in the amount of \$350,000. Subsequently, Mr. Arnost and the Company agreed to fix the conversion price of the note at \$.30 per share, extend the due date of the Note to December 12, 2014, subject to Mr. Arnost's right to call the note at any time in his sole discretion, and increase the interest rate to 15% per annum. The Company has the right to prepay the note, subject to Mr. Arnost's right of conversion.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our short term money market investments. The Company does not have any financial instruments held for trading or other speculative purposes and does not invest in derivative financial instruments, interest rate swaps or other investments that alter interest rate exposure. The Company does not have any credit facilities with variable interest rates.



#### **ITEM 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures, which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our CEO and CFO, an evaluation was performed on the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes in the Company's internal controls over financial reporting during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.



**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

As of the filing date of this Form 10-Q, we are not a party to any pending legal proceedings.

**ITEM 1A. RISK FACTORS**

As a Smaller Reporting Company as defined Rule 12b-2 of the Exchange Act and in item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item 1A.

**ITEM 2. CHANGES IN SECURITIES.**

(a) From January 1, 2014 through September 30, 2014, we had no sales or issuances of unregistered common stock, except we made sales or issuances of unregistered securities listed in the table below:

<b>Date of Sale</b>	<b>Title of Security</b>	<b>Number Sold</b>	<b>Consideration Received</b>	<b>and Description of Underwriting or Other Discounts to Market Price or Convertible Security, Afforded to Purchasers</b>	<b>Exemption from Registration Claimed</b>	<b>If Option, Warrant or Convertible Security, terms of exercise or conversion</b>

Edgar Filing: Mobiquity Technologies, Inc. - Form 10-Q

Jan. – March 2014	Common Stock and Class BB Warrants	7,201,000 shares and 3,600,500 warrants	\$2,160,300; no cash compensation was paid.	Rule 506	Warrants exercisable at \$.50 per share through December 15, 2017
February 2014	Common Stock	350,000 shares	Services rendered; no commissions paid	Section 4(2)	Not applicable
March 2014	Common Stock Warrants	700,000 shares (2)	Services rendered; no commissions paid	Section 4(2)	Not applicable
March 2014	Common Stock	2,000,000 shares (1)	\$500,000; no commissions paid	Section 4(2)	Not applicable
April 2014	Common Stock Warrants	1,000,000 warrants	Services rendered	Section 4(2)	Five-year warrant exercisable at \$.55 per share through April 2019
May 2014	Common Stock	34,000 shares	Services rendered, no commissions paid	Section 4(2)	Not applicable
July 2014	Common Stock And Warrants	2,000,000 shares and 1,000,000 warrants	\$1,000,000; no commissions paid	Section 4(2) and Rule 506	Warrants, exercisable at \$1.00 per share through July 2019.
July 2014	Common Stock	25,000 shares	Services rendered; No commissions paid	Section 4(2)	Not applicable
July 2014	Debentures and Warrants	\$250,000 in Principal and 125,000 warrants (3)	\$250,000; \$17,500 in commissions paid	Section 4(2) and Rule 506	Warrants exercisable at \$1.20 per share through July 2017
August 2014	Common Stock	16,967 shares	Cashless exercise of 60,000	Section 3(a)(9)	Not applicable

warrants; no  
commissions paid

- The Company entered into a Common Stock Purchase Agreement with Aspire Capital. The Company received \$500,000 at \$.50 per share as an initial purchase of shares pursuant to said agreement. An additional 1,000,000 shares were issued as a commitment fee. Said 2,000,000 shares were initially issued as restricted shares but were subsequently registered for resale pursuant to a Registration Statement effective April 28, 2014.
- (1) Does not include 150,000 shares of restricted Common Stock earned pursuant to the consulting agreement, but issuable on April 1, 2014 in exchange for services rendered.
  - (2) Does not include five year warrants to purchase 7,500 shares issued to Cavu Securities, which warrants are exercisable at \$.60 per share.
  - (3)

(b) Rule 463 of the Securities Act is not applicable to the Company.

(c) In the nine months ended September 30, 2014, there were no repurchases by the Company of its Common Stock.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

Not applicable.

**ITEM 6. EXHIBITS.**

Exhibit No. Description

3.1	Certificate of Incorporation filed March 26, 1998 (1)
3.2	Amendment to Certificate of Incorporation filed September 10, 1999 (1)
3.3	Amendment to Certificate of Incorporation approved by stockholders on February 9, 2005(1)
3.4	Amendment to Certificate of Incorporation dated September 11, 2008 (11)
3.5	Amendment to Certificate of Incorporation dated October 7, 2009 (11)
3.6	Amendment to Certificate of Incorporation dated May 18, 2012 (11)
3.7	Amendment to Certificate of Incorporation dated September 10, 2013 (17)
10.1	Employment Agreement - Michael Trepeta (2)
10.2	Employment Agreement - Dean Julia (2)
10.3	Amendments to Employment Agreement - Michael Trepeta (5)(7)
10.4	Amendments to Employment Agreement - Dean L. Julia (5)(7)
10.5	Joint Venture Agreement with Atrium Enterprises Ltd. (6)
10.6	Agreement with Aon Consulting (6)
10.7	Amendment to Exhibits 10.3 and 10.4 dated April 7, 2010 (10)
10.8	Office Lease for Garden City, NY (11)
10.9	Amendment to Employment Agreement – Dean L. Julia (11)
10.10	Amendment to Employment Agreement – Michael D. Trepeta (11)
10.11	Convertible Promissory Note (12)
10.12	Registration Rights Agreement dated September 12, 2012 by and between the Company and TCA (13)

Edgar Filing: Mobiquity Technologies, Inc. - Form 10-Q

- 10.13 Equity Agreement dated September 12, 2012 by and between the Company and TCA (13)
- 10.14 Amendment to Dean L. Julia's Employment Agreement (16)
- 10.15 Amendment to Michael D. Trepeta's Employment Agreement (16)
- 10.16 Common Stock Purchase Agreement with Aspire Capital (18)
- 10.17 Termination of TCA Registration Rights Agreement and Equity Agreement (18)
- 10.18 Employment Agreement – Thomas Arnost \*

29

- 11.1 Statement re: Computation of per share earnings. See Statement of Operations and Notes to Financial Statements
- 14.1 Code of Ethics/Code of Conduct (15)
- 21.1 Subsidiaries of the Issuer (15)
- 31.1 Co-Principal Executive Officer Rule 13a-14(a)/15d-14(a) Certification \*
- 31.2 Co-Principal Executive Officer Rule 13a-14(a)/15d-14(a) Certification \*
- 31.3 Principal Financial Officer Rule 13a-14(a)/15d-14(a) Certification \*
- 32.1 Co-Principal Executive Officer Section 1350 Certification \*
- 32.2 Co-Principal Executive Officer Section 1350 Certification \*
- 32.3 Principal Financial Officer Section 1350 Certification \*
- 99.7 Form of Class D Warrant (3)
- 99.8 Form of Class E Warrant(9)
- 99.9 Form of Class F Warrant (9)
- 99.10 Form of Class G Warrant (9)
- 99.11 Form of Class H Warrant (9)
- 99.12 Form of Class AA Warrant (11)
- 99.13 Form of Class BB Warrant (11)
- 99.14 Form of Class CC Warrant \*
- 101.SCH Document, XBRL Taxonomy Extension (\*)
- 101.CAL Calculation Linkbase, XBRL Taxonomy Extension Definition (\*)
- 101.DEF Linkbase, XBRL Taxonomy Extension Labels (\*)
- 101.LAB Linkbase, XBRL Taxonomy Extension (\*)
- 101.PRE Presentation Linkbase (\*)

---

\* Filed herewith.

- (1) Incorporated by reference to Registrant's Registration Statement on Form 10-SB as filed with the Commission on February 10, 2005.
- (2) Incorporated by reference to Registrant's Registration Statement on Form 10-SB/A filed with the Commission March 18, 2005.
- (3) Incorporated by reference to Form 10-K filed for the fiscal year ended December 31, 2009.
- (4) Incorporated by reference to the Registrant's Form 10-QSB/A filed with the Commission on August 18, 2005.
- (5) Incorporated by reference to the Registrant's Form 10-KSB for its fiscal year ended December 31, 2005.
- (6) Incorporated by reference to the Registrant's Form 10-KSB for its fiscal year ended December 31, 2006.
- (7) Incorporated by reference to the Registrant's Form 8-K dated September 21, 2007.
- (8) Incorporated by reference to the Registrant's Form 10-QSB for its quarter ended September 30, 2006.
- (9) Incorporated by reference to the Registrant's Form 10-K for its fiscal year ended December 31, 2010.
- (10) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended September 30, 2011.
- (11) Incorporated by reference to the Registrant's Form 10-K for its fiscal year ended December 31, 2012.
- (12) Incorporated by reference to the Registrant's Form 8-K dated September 14, 2012.
- (13) Incorporated by reference to the Registrant's Form 8-K dated September 15, 2012.
- (14) Incorporated by reference to the Registrant's Form 8-K dated September 6, 2013.
- (15) Incorporated by reference to the Registrant's Form 10-K for its fiscal year ended December 31, 2013.



(16) Incorporated by reference to Form 8-K filed September 6, 2013.

(17) Incorporated by reference to Form 8-K filed September 11, 2013.

(18) Incorporated by reference to Form 8-K filed April 1, 2014.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOBIQUNITY TECHNOLOGIES, INC.

Date: November 14, 2014 By: /s/ Dean L. Julia  
Dean L. Julia,  
Co-Principal Executive Officer

Date: November 14, 2014 By: /s/ Michael D. Trepeta  
Michael D. Trepeta,  
Co-Principal Executive Officer

Date: November 14, 2014 By: /s/ Sean McDonnell  
Sean McDonnell,  
Principal Financial Officer