

Mobiquity Technologies, Inc.  
Form 10-Q  
November 13, 2015

**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, 2015**

**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)

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

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 10, 2015, the registrant had a total of 78,651,757 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. Condensed Consolidated Financial Statements (Unaudited)	3
Condensed Consolidated Balance Sheets as of September 30, 2015 (unaudited) and December 31, 2014	3
Condensed Consolidated Statements of Operations for the Three Months and Nine Months Ended September 30, 2015 and September 30, 2014 (unaudited)	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2015 and September 30, 2014 (unaudited)	5
Notes to Condensed Financial Statements (unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3 Quantitative and Qualitative Disclosures	27
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

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

Item 4.	Mine Safety Disclosures	29
Item 5.	Other Information	29
Item 6.	Exhibits and Reports on Form 8-K	29
<b>SIGNATURES</b>		32

**PART I. FINANCIAL INFORMATION**

MOBIQUITY

TECHNOLOGIES, INC.

## Condensed Consolidated Balance Sheets

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	\$2,055,697	\$1,654,171
Accounts receivable, net	392,118	445,892
Inventory, net	171,825	190,854
Prepaid expenses and other current assets	122,908	152,502
Total Current Assets	2,742,548	2,443,419
Property and equipment, net	133,825	262,480
Intangible assets, net	74,160	94,328
Other Assets	41,616	33,741
Total Assets	\$2,992,149	\$2,833,968
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Accounts payable	\$571,136	\$609,957
Accrued expenses	371,902	369,383
Derivative liability	1,331,216	
Convertible promissory note	322,000	322,000
Total Current Liabilities	2,596,254	1,301,340
Long-term portion of convertible notes	5,432,110	2,573,979
Total Liabilities	8,028,364	3,875,319
Stockholders' Deficit:		
	—	—

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

Preferred Stock, \$.0001 par value; 5,000,000 shares authorized, zero and zero shares issued and outstanding at September 30, 2015 and December 31, 2014 respectively		
Common stock, \$.0001 par value; 200,000,000 and 200,000,000 shares authorized; 77,806,757 and 64,818,243 shares issued and outstanding at September 30, 2015, and December 31, 2014	7,788	6,482
Additional paid-in capital	33,293,337	28,966,269
Accumulated other comprehensive loss	(6,784 )	(2,236 )
Accumulated deficit	(38,330,556)	(30,011,866)
Total Stockholders' Deficit	(5,036,215 )	(1,041,351 )
Total Liabilities and Stockholders' Deficit	\$2,992,149	\$2,833,968

*See notes to condensed consolidated financial statements.*

## MOBIQUITY

## TECHNOLOGIES, INC.

## Condensed Consolidated Statements of Operations

	Three Months Ended September 30, (Unaudited)		Nine Months Ended September 30, (Unaudited)	
	2015	2014	2015	2014
Revenues				
Product revenue	\$595,760	\$712,544	\$1,682,711	\$2,155,895
Service revenue	—	1,500	—	117,500
Total revenues	595,760	714,044	1,682,711	2,273,395
Cost of Revenues				
Cost of product revenue	520,145	534,033	1,388,168	1,576,148
Cost of service revenue	—	76,086	—	283,349
Total cost of revenues	520,145	610,119	1,388,168	1,859,497
Gross Profit	75,615	103,925	294,543	413,898
Operating Expenses:				
Selling, general and administrative	2,782,678	2,144,255	8,345,178	6,697,392
Total Operating Expenses	2,782,678	2,144,255	8,345,178	6,697,392
Loss from Operations	(2,707,063 )	(2,040,330 )	(8,050,635 )	(6,283,494 )
Other Income (Expense):				
Interest expense	(193,877 )	(40,621 )	(371,213 )	(64,111 )
Gain/(Loss) on Derivative Instrument	103,119	—	103,119	—
Interest income	3	45	39	138
Total Other Income (Expense)	(90,755 )	(40,576 )	(268,055 )	(63,973 )
Net Loss	(2,797,818 )	\$(2,080,906 )	\$(8,318,690 )	\$(6,347,467 )
Other Comprehensive Loss	(693 )	(569 )	(6,784 )	(1,727 )
Net Comprehensive Loss	\$(2,798,511 )	\$(2,081,475 )	\$(8,325,474 )	\$(6,349,194 )
Net Loss Per Common Share:				
Basic and Diluted	\$(0.04 )	\$(0.03 )	\$(0.12 )	\$(0.11 )

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

Weighted Average Common Shares Outstanding:

Basic and Diluted	74,734,312	62,383,258	71,584,163	58,354,759
-------------------	------------	------------	------------	------------

*See notes to condensed consolidated financial statements.*



MOBIQUITY

TECHNOLOGIES, INC.

Condensed Consolidated Statements of Cash Flows

*Nine Months Ended September 30,*

	2015 (Unaudited)	2014 (Unaudited)
Cash Flows from Operating Activities:		
Net loss	\$ (8,318,690)	\$ (6,347,467)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	154,044	243,861
Gain on derivative instrument	(103,119 )	
Stock-based compensation	1,316,714	2,146,162
Stock issued for services	170,805	
Debt discount on deferred financing	67,466	
Changes in operating assets and liabilities:		
Accounts receivable	53,774	71,917
Inventory	19,029	(93,664 )
Prepaid expenses and other assets	21,719	15,162
Increase (decrease) in operating liabilities:		
Accounts payable	(38,821 )	53,836
Accrued expenses	123,374	(78,277 )
Total adjustments	1,784,985	2,358,997
Net Cash Used in Operating Activities	(6,533,705)	(3,988,470)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(5,221 )	(24,702 )
Net Cash Used in Investing Activities	(5,221 )	(24,702 )
Cash Flows from Financing Activities:		
Proceeds from Convertible Notes Payable	4,225,000	253,083
Proceeds from issuance of common stock	2,720,000	3,481,300
Net Cash Provided by Financing Activities	6,945,000	3,734,383
Effect of Exchange Rates on Cash	(4,548 )	(1,727 )
Net Increase (Decrease) in Cash and Cash Equivalents	401,526	(280,516 )

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

Cash and Cash Equivalents, beginning of period	1,654,171	1,740,989
Cash and Cash Equivalents, end of period	\$2,055,697	\$1,460,473

Supplemental Disclosure Information:

Cash paid for interest	\$57,726	\$64,112
Cash paid for taxes	\$—	\$—

Non-cash Disclosures:

Stock issued for interest	\$120,855	\$—
Derivative liability on convertible notes	\$1,434,335	\$—

*See notes to condensed consolidated financial statements.*

**MOBIQUITY TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014**  
**(UNAUDITED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS —**

On September 10, 2013, Mobiquity Technologies, Inc. changed its name from Ace Marketing & Promotions, Inc. (the "Company" or "Mobiquity"). We operate through two wholly-owned U.S. subsidiaries, namely, Mobiquity Networks, Inc. and Ace Marketing & Promotions, Inc. Mobiquity Networks owns 100% of Mobiquity Wireless S.L.U, a company incorporated in Spain. This corporation has an office in Spain to support our U.S. operations.

We operate a national location-based mobile advertising network that has developed a consumer-focused proximity network which we believe is 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.

Leveraging our agreements with Simon Property Group, Inc. (which we refer to herein as Simon or Simon Property), and Macerich Partnership, L.P. (which we refer to as "Macerich"), the number one and number three mall operators, respectively, in the U.S. in terms of number of Class A properties, we have installed our location-based mobile advertising solutions in the common areas of approximately 295 retail destinations across the U.S. to create "smart malls" using Bluetooth-enabled iBeacon compatible technology. As part of our plan to expand our mall footprint into the common areas of other malls, we recently have also added 27 malls operated by Preit Services, LLC, which we will refer to as "PREIT." We plan to further expand our mall footprint into the common areas of other malls and outside of malls with additional synergistic venues that will allow for cross marketing opportunities, including venues such as stadiums, arenas, additional college campuses, airports and retail chains.

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.

## **Our Agreements with Mall Property Owners/Managers and IBM**

### *Simon Properties*

We entered into an initial agreement with Simon Property in April 2011. This agreement was amended in September 2013 and July 2014 to, among other things, expand the number of Simon mall properties covered by the agreement. Pursuant to our agreement with Simon, we have the right, on an exclusive basis, to install Bluetooth proximity marketing equipment to send information across the air space of the common areas of our Simon mall network, which includes approximately 240 malls across the United States. Under a master agreement and related agreements between us and Simon covering approximately 240 Simon malls, Simon is entitled to receive fees from us equal to a minimum fee plus the greater of a pre-set, per mall fee or a percentage of revenues derived from within the Simon mall network as well as certain commission fees based on revenues generated through Simon's sales efforts. Our agreement with Simon requires us to maintain letters of credit for each calendar year under the agreement represented by the minimum amount of fees due for such calendar year as well as certain levels of insurance. The agreement also provides for Simon to adjust the number of malls subject to the agreement from time to time based upon changes in its beneficial ownership interest in the malls. Our agreement with Simon expires on December 31, 2017. Our agreement with Simon is subject to earlier termination by either us or Simon following a notice and cure period in the event of a material breach of the agreement.

*Macerich*

In April 2015, we entered into a license agreement with Macerich. Pursuant to our agreement with Macerich, we have the right to install Mobi-Beacons to send information across the air space of the common areas of our Macerich mall network, which will, when fully installed we estimate to include approximately 55 malls, across the United States. Our right to install our Mobi-Beacons to market and sell third party paid advertising in the interior common areas of these malls shall be exclusive. Under a Macerich license agreement between us and Macerich currently covering 55 malls, Macerich is entitled to receive fees from us equal to a minimum fee plus the greater of a pre-set per mall fee or a percentage of revenues derived from within the Macerich mall network as well as certain commission fees based on revenues generated through Macerich's sales efforts. The agreement also provides for Macerich to adjust the number of malls subject to the agreement from time-to-time based upon changes in its beneficial ownership in the malls. Our agreement with Macerich has a term of three years but is subject to earlier termination (i) with cause following a notice and cure period in the event of material breach of the agreement or (ii) without cause by Macerich after one year on 90 days' prior written notice to us. In the event of termination of the agreement without cause, Macerich will reimburse us for certain out-of-pocket expenses.

*IBM*

In April 2015, we entered into a Joint Initiative Agreement with IBM and enrolled as an IBM Business Partner through IBM's PartnerWorld program. We are teaming with IBM to deliver jointly developed solutions for mall-based tenants, including retail clients. These solutions leverage the Mobiquity Networks beacon platform deployed exclusively in the common areas of our mall footprint across the United States, as well as our SDK which can be embedded within mall clients' mobile apps, to deliver relevant content in real time to shoppers' smart phones as they visit these malls. IBM has agreed to work with these clients to provide the analytics solutions needed to deliver personalized, one-on-one content to shoppers through our platform, and to help clients obtain insights from shopper transactions to drive improved customer experience and business performance. IBM services will also provide the integration capabilities needed to combine the Mobiquity Network platform in the mall common areas with the in-store server and network infrastructure, to optimize delivery of context-relevant content for the shopper. Together, our Joint initiative Agreement with IBM can help their mall clients provide enhanced omni-channel marketing solutions and optimize business results. The agreement has an initial terms of two years and may be extended by agreement of the parties.

*PREIT*

Pursuant to a master agreement effective August, 2015, we entered into an agreement with PREIT pursuant to which we have the right to install our Mobi-Beacons and to send information across the air space of the common areas of our PREIT mall network, which will include approximately 27 malls in select states in the United States. Our right to install our Mobi-Beacons to market and sell third party paid advertising in the interior common areas of these malls is

exclusive. Under our agreement between us and PREIT, PREIT is entitled to an agreed upon revenue share over the four year term of the agreement. In the event the net revenue share as defined in the agreement is not attained for any measurement period, also as defined in the agreement, either party may terminate the agreement upon 90 days prior written notice. PREIT may also terminate the agreement if it determines that Mobiquity's installed equipment is not adequate and/or provides a negative user experience for the visitors to the PREIT malls. The agreement also provides for PREIT to adjust the number of malls subject to the agreement from time-to-time based upon changes in its beneficial ownership in the malls.

**PRINCIPLES OF CONSOLIDATION** - The accompanying consolidated financial statements include the accounts of Mobiquity Technologies, Inc., formerly known as Ace Marketing & Promotions, Inc., and its wholly owned subsidiaries, Mobiquity Networks, Inc., Ace Marketing, Inc., (which has had its name changed to Ace Marketing & Promotions, Inc. and Mobiquity Wireless S.L.U.). All intercompany accounts and transactions have been eliminated in consolidation.

The Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014, the Condensed Consolidated Statements of Operations for the three months and nine months ended September 30, 2015 and 2014 and the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014 have been prepared by us 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 our opinion, 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, 2015, results of operations for the three months and nine months ended September 30, 2015 and 2014 and cash flows for the nine months ended September 30, 2015 and 2014. All such adjustments are of a normal recurring nature. The results of operations and cash flows for the nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full year. We have 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 our fiscal year ended December 31, 2014.

**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, 2015 and December 31, 2014. 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 Company accounts for its derivative liabilities, at fair value, on a recurring basis under level 2.

	Level 1	Level 2	Level 3	Total
Fair value of derivatives	\$	– \$1,331,216	\$	– \$1,331,216

The carrying amounts of financial instruments, including accounts receivable, accounts payable and accrued liabilities, and promissory note, approximated fair value as of September 30, 2015 and December 31, 2014, because of the relatively short-term maturity of these instruments and their market interest rates. No instruments are carried at fair value.



**RECLASSIFICATIONS** - Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported losses.

**CASH AND CASH EQUIVALENTS** - The Company considers all highly liquid debt instruments with a maturity of three months or less, as well as bank money market accounts, to be cash equivalents. As of September 30, 2015 and December 31, 2014, the balances were \$2,055,697 and \$1,654,171, respectively.

**CONCENTRATION OF CREDIT RISK** - Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables and cash and cash equivalents.

Concentration of credit risk with respect to trade receivables is generally diversified due to the large number of entities comprising the Company's customer base and their dispersion across geographic areas principally within the United States. The Company routinely addresses the financial strength of its customers and, as a consequence, believes that its receivable credit risk exposure is limited.

The Company places its temporary cash investments with high credit quality financial institutions. At times, the Company maintains bank account balances, which exceed FDIC limits. As September 30, 2015 and December 31, 2014, the Company exceeded FDIC limits by \$1,710,776 and \$1,292,227, respectively.

**REVENUE RECOGNITION** — The Company recognizes revenue, for all revenue streams, when it is realized or realizable and estimable in accordance with ASC 605, "*Revenue Recognition*". The Company will recognize revenue only when all of the following criteria have been met:

- Persuasive evidence for an agreement exists;
- Service has been provided or shipment has occurred;
- The fee is fixed or determinable; and,
- Collection is reasonably assured.

**ACE MARKETING** — Ace Marketing's 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 Ace Marketing 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. Ace Marketing 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.

**MOBIQUITY NETWORKS** - Mobiquity Networks. Mobiquity income will be derived from the sale of mobile based advertising campaigns utilizing our beacon platform.. Revenue is realized with the signing of the advertising contract. The customer signs a contract directly with us for an advertising campaign with mutually agreed upon term and is billed on the start date of the advertising campaign, which are normally in short duration periods. The first option to earn revenue with the beacon platform is for customers to contract for advertising campaigns, on our platform, either directly through their own app or through various third party apps. The second option to earn revenue is through a revenue share with advertising exchanges and networks that deliver advertising campaigns to their customers based on our real-time or delayed location signal data. The third option would be through licensing of our historical data to data management platform companies.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS** - Management must make estimates of the collectability 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. As of September 30, 2015 and December 31, 2014, allowance for doubtful accounts were \$40,000 and \$40,000, respectively.

**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 have been minimal reserves placed on inventory, based on this arrangement. As of September 30, 2015 and December 31, 2014, the Company has reserved against \$31,676 and \$31,676, respectively.

**PROPERTY AND EQUIPMENT** - Property and equipment are stated at cost. Depreciation is expensed using the straight-line method over the estimated useful lives of the related assets of three to five years. Leasehold improvements are being amortized using the straight-line method over sixty months of 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 prior years were capitalized for the period of development and testing. Expenditures during the planning stage and after implementation have been expensed in accordance with ASC 985.

**ADVERTISING COSTS** - Advertising costs are expensed as incurred. For the quarters ended September 30, 2015 and September 30, 2014, there were advertising costs of \$4,500 and \$0, respectively. For the nine months ended September 30, 2015 and September 30, 2014, there were advertising costs of \$9,995 and \$288, 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 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. Refer to Note 8 "Stock Option Plans" in the Notes to Consolidated Financial Statements *in* this report for a more detailed discussion.

**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 values of the underlying common stock less the proceeds that have been received for the debt instrument limited to the value received.

**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, the average exchange rate of 1.1124% and period end exchange rate of 1.1243% were used for the third quarter of 2015. The average exchange rate and period exchange rate for the second quarter were 1.1120% and 1.1094%, the first quarter rates were 1.0840% and 1.1126% "*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, 2015.

**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.

**GOING CONCERN** -The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company's continued existence is dependent upon the Company's ability to obtain additional debt and/or equity financing to advance its new technology revenue stream. The Company has incurred losses for the nine months ended September 30, 2015 of \$8,318,690. As of September 30, 2015, the Company has an accumulated deficit of \$38,330,556. The Company has had negative cash flows from operating activities of \$6,533,705 for the nine months ended September 30, 2015. These factors raise substantial doubt about the ability of the Company to continue as a going concern.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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 2: 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 54,727,000 and 37,304,000 because they are anti-dilutive as a result of a net loss for the three months ended September 30, 2015 and 2014, respectively.

**NOTE 3: CONVERTIBLE PROMISSORY NOTE**

## Summary of Convertible Promissory Notes:

	September 30, 2015	September 30, 2014
Arnost Note (a)	\$ 322,000	\$ 322,000
Cavu Notes (b), net of \$33,216 debt discounts	216,784	—
Berg Notes (c)	3,722,000	—
Investor Notes (d), net of discounts	1,493,326	—
Total Debt	5,754,110	322,000
Current portion of debt	322,000	322,000
Long-term portion of debt	\$5,432,110	\$—

- On June 12, 2012, the Company closed on a security agreement (the "Security Agreement") with TCA related to a \$350,000 Convertible promissory note issued by the Company in favor of TCA (the "Convertible Note"), which Convertible Note was funded by TCA on June 12, 2012. 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 is convertible into shares of the Company's common stock at a price equal to ninety-five percent (95%) of the average of the lowest daily volume weighted average price of the Company's 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, wherever located and whether now existing or hereafter arising or acquired. The Company's wholly-owned subsidiary, Mobiquity Networks, Inc., also entered into a similar
- (a) 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, which was later extended to December 12, 2014 and again extended to December 31, 2015, 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% and the conversion price of the shares issuable upon conversion of the note was fixed at \$.30 per share. The aforementioned note is convertible at the sole discretion of the noteholder. The Company recognized a beneficial conversion, in the amount of \$116,667, based on the fixed conversion price, compared to the fair market trading value at the date of the agreement. The noteholder immediately converted \$28,000 into 93,334 shares of common stock in December 2013. The balance on the note is \$322,000 as of September 30, 2015 and December 31, 2014.
- (b) 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' and July 31' 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.

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 derivative and therefore did not bifurcate the conversion feature and account for it as a separate derivative liability. The Company valued the warrants and allocated \$33,362 to the warrants; increasing additional paid in capital and off-setting the notes by the warrant value as debt discount. The Company is amortizing the debt discount over the term of the notes, accreting the costs until the note balance equals the face value of the note. The Company recognized \$9,110 of interest due to the amortization of the debt discount. 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 the beneficial conversion feature in the amount of \$59,379 in 2014. The beneficial conversion feature was recorded *as* an increase in additional paid-in capital.



In November 2014, Carl and Mary Ann Berg 2011 CRT, Carl Berg Trustee, loaned us \$1,000,000 pursuant to a two-year unsecured loan. This loan is repayable in November 2016 with interest at the rate of 4% per annum. Carl Berg is the brother of Clyde Berg. In December 2014, the Clyde Berg 2011 CRT with Carl Berg as Trustee, loaned us \$1,000,000 pursuant to a two-year unsecured loan. This loan is repayable in December 2016 with interest at the rate of 4% per annum. We had an agreement with the Bergs to loan us an additional \$500,000 on the same terms, which monies were received by us in January 2015. On December 29, 2014, Clyde Berg's (c) daughter loaned us \$50,000 pursuant to a two-year note. The principal and accrued interest on all of the aforementioned notes are currently convertible at a conversion price of \$.30 per share. For every \$1.00 of principal and accrued interest thereon converted, the noteholder will also receive a five-year warrant to purchase one share of common stock at an exercise price of \$.50 per share. The foregoing loans were all part of a letter agreement dated December 15, 2014 with Carl E. Berg pursuant to which unsecured loans could be advanced to the Company of up to \$10 million through June 30, 2015. As no additional monies were received by the Company as of June 30, 2015, Mr. Berg's right to make additional loans had expired.

The Company evaluated the terms of December 15, 2014 agreement and accounted for the modification of the original notes as an extinguishment of the old notes and fair valued the new note agreement. The Company valued the note with conversion features and warrants and determined that the value of the new agreement resulted in a \$322,000 loss on the extinguishment of debt and a corresponding premium to the loan value.

Between August and September 2015, the Company borrowed \$2,875,000 from accredited investors. These loans are due and payable the earlier of December 31, 2016 or the completion of an equity financing of at least \$2,500,000. Upon the sale of the unsecured promissory notes, the Company issued as prepaid interest for each \$1 of principal, one share of common stock and a warrant to purchase one share of common stock at an exercise price of \$.40 per share through August 31, 2017. Accordingly, an aggregate of 2,875,000 shares of common stock (d) and warrants to purchase a like amount were issued in the third quarter of 2015. Each noteholder has the right to convert the principal of their note and accrued interest thereon at a conversion price of \$.30 per share or at the noteholder's option, into equity securities of the Company on the same terms as the last equity transaction completed by the Company prior to each respective conversion date. Subsequent to September 30, 2015, an additional \$300,000 was received by the Company on the same terms.

The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting related to 17 convertible notes issued totaling \$2,875,000 which included a ratchet provision in the conversion price of \$.30 or a price equal to the last equity transaction completed by the Company as part of a subscription agreement. The notes all have a maturity date of December 31, 2016. Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company's balance sheet. The Company measures these instruments at their estimated fair value and recognizes changes in their estimated fair value in results of operations during the period of change. The Company has estimated the fair value of these embedded derivatives for convertible debentures and associated warrants using a multinomial lattice model as of September 30, 2015. The fair values of the derivative instruments are measured each quarter, which resulted in a gain of 103,119 and derivative expense of \$0 during the three and months ended September 30, 2015. As of September 30, 2015, the fair market value of the derivatives aggregated \$1,331,216, using the following assumptions: estimated 1.41-1.25-year term, estimated volatility of 129.49-120.66%, and a discount rate of 0.47-0.33%.

**NOTE 4: STOCKHOLDERS' EQUITY (DEFICIT)**

During 2014, the Company has raised gross proceeds of \$3,276,310, net of offering costs of \$283,990, from the sale of its Common Stock, at \$0.30 to \$0.50 per share, in exchange for 10,867,669 common shares and warrants to purchase 4,433,839 shares at an exercise price of \$.50 to \$1.00 per share through December 31, 2017 and 2019.

During 2014 the Company received \$175,000 of the stock subscription receivables from 2013.

During 2014, the Company issued to consultants and employees, 784,000 shares of stock for services rendered, at a fair market value of \$366,541. Also, the Company issued another 135,000 shares of the common stock to a consultant for prepaid services, at a fair market value of \$53,055.

During 2014, the Company recorded \$3,117,000 for stock based compensation related to warrants and options. The Company also recorded a beneficial conversion feature of \$59,379 related to a convertible promissory note for \$250,000.

December 2014, the Company issued 500,000 common shares for the receipt of \$150,000 cash, from the exercise of 500,000 warrants.

During the year ending December 2014, cashless exercise of warrants resulted in the issuance of 66,536 shares of common stock.

During 2014, the Company issued 62,791 common shares, valued at \$27,000, in payment of interest expense.

During the quarter ended March 31, 2015, the Company commenced a private placement offering at an offering price of \$.30 per share with matching warrants issued to purchase an additional share of common stock at \$.45 per share through March 31, 2020. Three investors purchased an aggregate of 1,666,667 shares for proceeds of \$500,000 from our private placement offering on March 30, 2015. The Company also issued 77,143 shares for \$27,000 of interest and 90,000 shares for \$22,000 of services rendered during the quarter.

During the quarter ended June 30, 2015, the Company issued 7,400,000 shares for proceeds of \$2,220,000 under the private placement offering. We also issued 236,842 shares for \$59,000 of interest and 435,000 shares for \$119,000 of services during the quarter.

During the quarter ended September 30, 2015, the Company issued 96,195 shares for \$31,549 of interest and 135,000 shares for services during the quarter.

The private placement offering, which commenced in March 2015 and was completed in May 2015, provided for certain anti-dilution protection in the event of sales of common stock below \$.30 per share. As a result of the note offering described in note 4, paragraph (d) to the table set forth therein, management of the Company has determined to issue to the investors one share of common stock for every \$1 invested for a total of 2,720,000 shares.

#### **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, 2015 and 2014 include employee share-based compensation expense totaling approximately \$361,500 and \$504,000, respectively. The Company's results for the nine month periods ended September 30, 2015 and 2014 include employee share-based compensation expense totaling approximately \$1,317,000 and \$2,146,000, 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, 2015 and 2014 (unaudited):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Employee stock-based compensation - option grants	\$361,500	\$430,466	\$1,113,254	\$1,343,803
Employee stock-based compensation - stock grants	—	—	—	—
Non-Employee stock-based compensation - option grants	—	73,502	29,405	110,008
Non-Employee stock-based compensation - stock grants	—	—	—	370,748
Non-Employee stock-based compensation-stock warrant	—	—	174,055	321,603
Total	\$361,500	\$503,968	\$1,316,714	\$2,146,162

#### 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 June 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. In February 2015, the board approved, subject to stockholder approval within one year, an increase in the number of shares under the 2009 Plan to 20,000,000 shares. (The 2005 and 2009 Plans are collectively referred to as the "Plans" and the Company has a combined 14,000,000 shares, which will increase to 24,000,000 shares upon stockholder approval of the increase in the 2009 Plan, 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.

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

The weighted average assumptions made in calculating the fair values of options granted during the three and nine months ended September 30, 2015 and 2014 are as follows:

	Three Months Ended September 30 2015		Nine Months Ended September 30 2015	
	2015	2014	2015	2014
Expected volatility	20.30 %	78.68 %	31.30 %	46.67 %
Expected dividend yield	—	—	—	—
Risk-free interest rate	1.55 %	1.95 %	1.88 %	2.43 %
Expected term (in years)	5.00	6.25	8.64	8.34

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2015	16,980,000	.51	5.74	\$ 168,150
Granted	2,710,000	.30	7.58	—
Exercised	—	—	—	—
Cancelled & Expired	(600,000 )	—	—	—
Outstanding, September 30, 2015	19,090,000	.40	8.22	\$ 23,100
Options exercisable, September 30, 2015	15,703,138	.40	8.13	\$ 23,100

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2015 and 2014 was \$.40 and \$0.43, respectively.

The aggregate intrinsic value of options outstanding and options exercisable at September 30, 2015 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 \$.27 closing price of the Common Stock on September 30, 2015.

As of September 30, 2015, the fair value of unamortized compensation cost related to unvested stock option awards was \$1,385,475.

The weighted average assumptions made in calculating the fair value of warrants granted during the three and nine months ended September 30, 2015 and 2014 are as follows:

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Expected volatility	16.25 %	0 %	9.69 %	138.35 %
Expected dividend yield	—	—	—	—
Risk-free interest rate	.71 %	0 %	.37 %	1.49 %
Expected term (in years)	1.4	0	.88	4.42

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

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2015	23,773,914	\$ .58	2.50	\$ 53,500
Granted	11,941,668	\$ .39	4.23	—
Exercised				
Expired	(78,800 )	—	—	—
Outstanding, September 30, 2015	35,636,782	\$ .43	4.45	8,500
Warrants exercisable, September 30, 2015	35,636,782	\$ .43	4.45	\$ 8,500

## NOTE 7: COMMITMENTS AND CONTINGENCIES

### *COMMITMENTS —*

We entered into an initial agreement with Simon Property in April 2011. This agreement was amended in September 2013 and July 2014 to, among other things, expand the number of Simon mall properties covered by the agreement. Pursuant to our agreement with Simon, we have the right, on an exclusive basis, to install Bluetooth proximity marketing equipment to send information across the air space of the common areas of our Simon mall network, which includes approximately 240 malls across the United States. Under a master agreement and related agreements between us and Simon covering approximately 240 Simon malls, Simon is entitled to receive fees from us equal to a minimum fee plus the greater of a pre-set, per mall fee or a percentage of revenues derived from within the Simon mall network as well as certain commission fees based on revenues generated through Simon's sales efforts. Our agreement with Simon requires us to maintain letters of credit for each calendar year under the agreement represented by the minimum amount of fees due for such calendar year as well as certain levels of insurance. The agreement also provides for Simon to adjust the number of malls subject to the agreement from time to time based upon changes in its beneficial ownership interest in the malls. Our agreement with Simon expires on December 31, 2017. Our agreement with Simon is subject to earlier termination by either us or Simon following a notice and cure period in the event of a material breach of the agreement.

In April 2015, we entered into a license agreement with Macerich. Pursuant to our agreement with Macerich, we have the right to install Mobi-Beacons to send information across the air space of the common areas of our Macerich mall network, which will, when fully installed we estimate to include approximately 55 malls, across the United States. Our right to install our Mobi-Beacons to market and sell third party paid advertising in the interior common areas of these malls shall be exclusive. Under a Macerich license agreement between us and Macerich currently covering 55 malls, Macerich is entitled to receive fees from us equal to a minimum fee plus the greater of a pre-set per mall fee or a percentage of revenues derived from within the Macerich mall network as well as certain commission fees based on revenues generated through Macerich's sales efforts. The agreement also provides for Macerich to adjust the number of malls subject to the agreement from time-to-time based upon changes in its beneficial ownership in the malls. Our agreement with Macerich has a term of three years but is subject to earlier termination (i) with cause following a notice and cure period in the event of material breach of the agreement or (ii) without cause by Macerich after one year on 90 days' prior written notice to us. In the event of termination of the agreement without cause, Macerich will reimburse us for certain out-of-pocket expenses.

In April 2015, we entered into a Joint Initiative Agreement with IBM and enrolled as an IBM Business Partner through IBM's PartnerWorld program. We are teaming with IBM to deliver jointly developed solutions for mall-based tenants, including retail clients. These solutions leverage the Mobiquity Networks beacon platform deployed exclusively in the common areas of our mall footprint across the United States, as well as our SDK which can be embedded within mall clients' mobile apps, to deliver relevant content in real time to shoppers' smart phones as they visit these malls. IBM has agreed to work with these clients to provide the analytics solutions needed to deliver personalized, one-on-one content to shoppers through our platform, and to help clients obtain insights from shopper



transactions to drive improved customer experience and business performance. IBM services will also provide the integration capabilities needed to combine the Mobiquity Network platform in the mall common areas with the in-store server and network infrastructure, to optimize delivery of context-relevant content for the shopper. Together, our Joint Initiative Agreement with IBM can help their mall clients provide enhanced omni-channel marketing solutions and optimize business results. The agreement has an initial terms of two years and may be extended by agreement of the parties.

Pursuant to a master agreement effective August, 2015, we entered into an agreement with PREIT pursuant to which we have the right to install our Mobi-Beacons and to send information across the air space of the common areas of our PREIT mall network, which will include approximately 27 malls in select states in the United States. Our right to install our Mobi-Beacons to market and sell third party paid advertising in the interior common areas of these malls is exclusive. Under our agreement between us and PREIT, PREIT is entitled to an agreed upon revenue share over the four year term of the agreement. In the event the net revenue share as defined in the agreement is not attained for any measurement period, also as defined in the agreement, either party may terminate the agreement upon 90 days prior written notice. PREIT may also terminate the agreement if it determines that Mobiquity's installed equipment is not adequate and/or provides a negative user experience for the visitors to the PREIT malls. The agreement also provides for PREIT to adjust the number of malls subject to the agreement from time-to-time based upon changes in its beneficial ownership in the malls.

Rent and real estate tax expense was approximately \$910,000 and \$359,800 for the three months ended September 30, 2015 and 2014, respectively. Rent and real estate tax expense was approximately \$2,408,000 and \$952,400 for the nine months ended September 30, 2015 and 2014, respectively.

#### *TRANSACTIONS WITH MAJOR CUSTOMERS*

The Company sells its branded merchandise to a geographically diverse group of customers, performs ongoing credit evaluations of its customers and generally does not require collateral. During the three months ended September 30, 2015 a customer accounted for approximately 26% of net revenues and for the three months ended September 30, 2014 a customer accounted for approximately 23% of net revenues. The Company holds on hand certain items that are ordered on a regular basis.

## NOTE 8: 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 Mobil Marketing.

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

### Third Quarter of Fiscal 2015 and 2014

	Quarter Ended September 30, 2015		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks, Inc.	Total
Revenues, net	\$595,760	\$—	\$595,760
Operating (loss), before interest, amortization, depreciation and taxes	(310,164 )	(2,250,208 )	(2,560,372 )
Interest income	3	—	3
Interest (expense)	(193,877 )	—	(193,877 )
Depreciation and amortization	(7,728 )	(35,844 )	(43,572 )
Net Loss	(511,766 )	(2,286,052 )	(2,797,818 )
Assets at September 30, 2015	2,742,415	249,734	2,992,149

Quarter Ended September 30, 2014

Ace  
Marketing  
&  
Promotions,  
Inc.

Mobiquity  
Networks,  
Inc.

Total

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

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 of Fiscal 2015 and 2014

	Nine Months Ended September 30, 2015		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks, Inc.	Total
Revenues, net	\$1,682,711	\$—	\$1,682,711
Operating (loss), before interest, amortization, depreciation and taxes	(1,352,025)	(6,441,714)	(7,793,739)
Interest income	39	—	39
Interest (expense)	(371,213 )	—	(371,213 )
Depreciation and amortization	(42,022 )	(111,755 )	(153,777 )
Net Loss	(1,765,221)	(6,553,469)	(8,318,690)
Assets at September 30, 2015	2,742,415	249,734	2,992,149

All intersegment sales and expenses have been eliminated from the tables 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 9: STOCKHOLDER AUTHORIZATION OF REVERSE STOCK SPLIT/APPROVAL OF UPLISTING OF THE COMPANY'S COMMON STOCK ON THE NYSE MKT SUBJECT TO MEETING CERTAIN CONDITIONS**

On November 17, 2014, we held a special meeting of our stockholders to approve authorizing our board of directors to effectuate a reverse stock split in its sole discretion of not less than 1-for-5 and not greater than 1-for-20 for the purpose of attempting to obtain a listing of our common stock on the NYSE MKT. Such approval was obtained. In the second quarter of 2015, the Company obtained an approval letter from the NYSE MKT for the Company's common stock to list on the Exchange, subject to various conditions. The two principal conditions were obtaining a minimum price of \$3.00 per share as a result of the completion of the reverse stock split and completing a satisfactory public financing. On August 25, 2015, the Company filed Amendment No. 4 to its Form S-1 Registration Statement with the Securities and Exchange Commission. Pursuant to said Registration Statement, the Company is seeking to raise approximately \$13 million through a "firm commitment" offering with Dawson James Securities Inc. as Underwriter. In the event such offering is completed, of which there can be no assurances given, it is anticipated that a reverse stock split will be completed within the range set forth above and that the Company's common stock would meet the conditions set forth by the NYSE MKT for listing on the Exchange.

#### **NOTE 10: SUBSEQUENT EVENTS**

There are no subsequent events required to be disclosed in the Notes to Financial Statements through the date of the report, except as follows:

Subsequent to the period ended September 30, 2015, the company issued an additional \$800,000 in convertible notes payable related to the subscription agreement. The fair market value of the derivatives aggregated \$309,405, using the following assumptions: estimated 1.24-1.21-year term, estimated volatility of 132.77-129.98%, and a discount rate of 0.26-0.22%.

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

### **FORWARD-LOOKING STATEMENTS**

The information contained in this Form 10-Q and documents incorporated herein by reference are intended to update the information contained in the Company's Form 10-K for its fiscal year ended December 31, 2014 which includes our audited financial statements for the year ended December 31, 2014 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").

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 which we believe is 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 installed our location-based mobile advertising solutions in approximately 240 Simon Malls, 55 Macerich malls and 27 Preit malls to create "smart malls" using Bluetooth-enabled iBeacon compatible technology. We plan to expand our mall footprint in other malls and 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.

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.

## **Our Agreements with Mall Property Owners/Managers and IBM**

### *Simon Properties*

We entered into an initial agreement with Simon Property in April 2011. This agreement was amended in September 2013 and July 2014 to, among other things, expand the number of Simon mall properties covered by the agreement. Pursuant to our agreement with Simon, we have the right, on an exclusive basis, to install Bluetooth proximity marketing equipment to send information across the air space of the common areas of our Simon mall network, which includes approximately 240 malls across the United States. Under a master agreement and related agreements between us and Simon covering approximately 240 Simon malls, Simon is entitled to receive fees from us equal to a minimum fee plus the greater of a pre-set, per mall fee or a percentage of revenues derived from within the Simon mall network as well as certain commission fees based on revenues generated through Simon's sales efforts. Our agreement with Simon requires us to maintain letters of credit for each calendar year under the agreement represented by the minimum amount of fees due for such calendar year as well as certain levels of insurance. The agreement also provides for Simon to adjust the number of malls subject to the agreement from time to time based upon changes in its beneficial ownership interest in the malls. Our agreement with Simon expires on December 31, 2017. Our agreement with Simon is subject to earlier termination by either us or Simon following a notice and cure period in the event of a material breach of the agreement.

### *Macerich*

In April 2015, we entered into a license agreement with Macerich. Pursuant to our agreement with Macerich, we have the right to install Mobi-Beacons to send information across the air space of the common areas of our Macerich mall network, which will, when fully installed we estimate to include approximately 55 malls, across the United States. Our right to install our Mobi-Beacons to market and sell third party paid advertising in the interior common areas of these malls shall be exclusive. Under a Macerich license agreement between us and Macerich currently covering 55 malls, Macerich is entitled to receive fees from us equal to a minimum fee plus the greater of a pre-set per mall fee or a percentage of revenues derived from within the Macerich mall network as well as certain commission fees based on revenues generated through Macerich's sales efforts. The agreement also provides for Macerich to adjust the number of malls subject to the agreement from time-to-time based upon changes in its beneficial ownership in the malls. Our agreement with Macerich has a term of three years but is subject to earlier termination (i) with cause following a notice and cure period in the event of material breach of the agreement or (ii) without cause by Macerich after one year on 90 days' prior written notice to us. In the event of termination of the agreement without cause, Macerich will reimburse us for certain out-of-pocket expenses.

### *IBM*



In April 2015, we entered into a Joint Initiative Agreement with IBM and enrolled as an IBM Business Partner through IBM's PartnerWorld program. We are teaming with IBM to deliver jointly developed solutions for mall-based tenants, including retail clients. These solutions leverage the Mobiquity Networks beacon platform deployed exclusively in the common areas of our mall footprint across the United States, as well as our SDK which can be embedded within mall clients' mobile apps, to deliver relevant content in real time to shoppers' smart phones as they visit these malls. IBM has agreed to work with these clients to provide the analytics solutions needed to deliver personalized, one-on-one content to shoppers through our platform, and to help clients obtain insights from shopper transactions to drive improved customer experience and business performance. IBM services will also provide the integration capabilities needed to combine the Mobiquity Network platform in the mall common areas with the in-store server and network infrastructure, to optimize delivery of context-relevant content for the shopper. Together, our Joint Initiative Agreement with IBM can help their mall clients provide enhanced omni-channel marketing solutions and optimize business results. The agreement has an initial terms of two years and may be extended by agreement of the parties.

## *PREIT*

Pursuant to a master agreement effective August, 2015, we entered into an agreement with PREIT pursuant to which we have the right to install our Mobi-Beacons and to send information across the air space of the common areas of our PREIT mall network, which will include approximately 27 malls in select states in the United States. Our right to install our Mobi-Beacons to market and sell third party paid advertising in the interior common areas of these malls is exclusive. Under our agreement between us and PREIT, PREIT is entitled to an agreed upon revenue share over the four year term of the agreement. In the event the net revenue share as defined in the agreement is not attained for any measurement period, also as defined in the agreement, either party may terminate the agreement upon 90 days prior written notice. PREIT may also terminate the agreement if it determines that Mobiquity's installed equipment is not adequate and/or provides a negative user experience for the visitors to the PREIT malls. The agreement also provides for PREIT to adjust the number of malls subject to the agreement from time-to-time based upon changes in its beneficial ownership in the malls.

## **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** – The Company recognizes revenue, for all revenue streams, when it is realized or realizable and estimable in accordance with ASC 605, "*Revenue Recognition*". The Company will recognize revenue only when all of the following criteria have been met:

- Persuasive evidence for an agreement exists;
- Service has been provided or shipment has occurred;
- The fee is fixed or determinable; and,
- Collection is reasonably assured.

**ACE MARKETING** – Ace Marketing's 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 Ace Marketing 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. Ace Marketing 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.

**MOBIQUITY NETWORKS** – Mobiquity Networks. Mobiquity Networks. Mobiquity income will be derived from the sale of mobile based advertising campaigns utilizing our beacon platform.. Revenue is realized with the signing of the advertising contract. The customer signs a contract directly with us for an advertising campaign with mutually agreed upon term and is billed on the start date of the advertising campaign, which are normally in short duration periods. The first option to earn revenue with the beacon platform is for customers to contract for advertising campaigns, on our platform, either directly through their own app or through various third party apps. The second option to earn revenue is through a revenue share with advertising exchanges and networks that deliver advertising campaigns to their customers based on our real-time or delayed location signal data. The third option would be through licensing of our historical data to data management platform companies.

**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 and experiences possible, in a way that is not possible without our network. We connect customers to brands in the retail space by increasing individual retail location app usage and driving foot traffic to such individual retail locations. We have deployed our Mobi-Beacons in approximately 240 Simon malls and 55 Macerich malls and intend to install our Mobi-Beacons in 27 PREIT malls, in each case in malls across the United States. We intend to utilize the proceeds of this offering to expand 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:

- Retailers, Brands and Apps relevant to the shopping experience.
- Shopping/Coupon related Apps with relevant offers.
- Entertainment Apps relevant to the shopper demographic.
- Advertising Networks and Exchanges serving location relevant ads.

·Data Analytic and Social Media Apps requesting real-time or delayed location based signal.

We plan to expand on our current footprint into the common areas of other mall operations as well as outside of the malls with additional 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 our Mobiquity network. They may find it advantageous to become part of our network, so they will have the ability to drive traffic into their stores. In the future, we may also build a private advertising exchange system that would allow for programmatic buying where advertisers will be given permission to engage with shoppers through our Mobiquity network. Additionally, we plan to add other mobile services and plug-ins such as; loyalty programs, attribution, 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.

Third Quarter September 30, 2015 vs Third Quarter September 30, 2014

	Three Months Ended September 30	
	2015	2014
Revenue	\$595,760	\$714,044
Cost of Revenues	\$520,145	\$610,119
Gross Profit	\$75,615	\$103,925
Selling, General and Administrative Expenses	\$2,782,678	\$2,144,255
(Loss) from Operations	\$(2,707,063)	\$(2,040,330)

We generated revenues of \$595,760 in the third quarter of 2015 compared to \$714,044 in the same period of the prior year, a change in revenues of \$118,284. As our mall network has only recently been constructed and expanded, at the current time, revenues from the use of our Mobiquity devices are not a material portion of our consolidated revenues. In the fourth quarter of 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 begin to utilize our mall network.

Cost of revenues was \$520,145 or 87% of revenues in the third quarter of 2015 compared to \$610,119 or 85% of revenues in the same fiscal period of the prior year. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. The change in cost of revenues of \$89,974 in 2015 is related to volume and product mix of the products our customers purchased.

Gross profit was \$75,615 for the third quarter of 2015 or 13% of net revenues compared to \$103,925 in the same fiscal period of the prior year or 15% 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. As our mall network has only recently been constructed and is currently being expanded, 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 \$2,782,678 for the third quarter of 2015 compared to \$2,144,255 in the comparable period of the prior year, a change of \$638,423. Such operating costs include payroll and related expenses, commissions, insurance, rents, fee payments to Simon Property Group, professional consulting and public awareness fees. The increase in operating expenses was primarily due to the increase in salaries and non-cash stock based compensation.

Interest expense was \$193,877 for the third quarter of 2015 compared to \$40,621 in the comparable period of the prior year, an increase of \$153,256. The increased cost relates to the financing needed to fund our expansion of the additional malls added to our network.

The loss from operations for the third quarter of 2015 was \$2,707,063 as compared to \$2,040,330 for the comparable period of the prior year. 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 the successful introduction and usage of our proximity marketing services.

Nine Months Ended September 30, 2015 vs Nine Months Ended September 30, 2014

	Nine Months Ended September 30	
	2015	2014
Revenue	\$1,682,711	\$2,273,395
Cost of Revenues	\$1,388,168	\$1,859,497
Gross Profit	\$294,543	\$413,898
Selling, General and Administrative Expenses	\$8,345,178	\$6,697,392
(Loss) from Operations	\$(8,050,635)	\$(6,283,494)

We generated revenues of \$1,682,711 in the first nine months of 2015 compared to \$2,273,395 in the same period of the prior year, a change in revenues of \$590,684. As our mall network has only recently been constructed and expanded, at the current time, revenues from the use of our Mobiquity devices are not a material portion of our consolidated revenues. In the fourth quarter of 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 begin to utilize our mall network.

Cost of revenues was \$1,388,168 or 82% of revenues in the first nine months of 2015 compared to \$1,859,497 or 82% of revenues in the same fiscal period of the prior year. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. The change in cost of revenues of 471,329 in 2015 is related to volume of sales.

Gross profit was \$294,543 for the first nine months of 2015 or 18% of net revenues compared to \$413,898 in the same fiscal period of the prior year or 18% 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. As our mall network has only recently been constructed and is currently being expanded, 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 \$8,345,178 for the first nine months of 2015 compared to \$6,697,392 in the comparable period of the prior year, a change of \$1,647,786. Such operating costs include payroll and related expenses, commissions, insurance, rents, fee payments to Simon Property Group, professional (consulting) and public awareness fees. The increase in operating expenses was primarily due to the increase in salaries, commissions, and interest payments.



Interest expense was \$371,213 for the first nine months of 2015 compared to \$64,111 in the comparable period of the prior year, a change of \$307,102. The increased cost relates to the financing needed to fund our expansion of the additional malls added to our network.

The losses from operations for the first nine months of 2015 was \$8,050,635 as compared to \$6,283,494 for the comparable period of the prior year. The change 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 the successful introduction and usage of our proximity marketing services.

### **Liquidity and Capital Resources**

We had cash and cash equivalents of \$2,055,697 at September 30, 2015. Cash used by operating activities for the nine months ended September 30, 2015 was \$6,533,705. This resulted primarily from a net loss of \$8,318,690 partially offset by decreases in accounts receivable of \$53,774 and a decrease of \$21,719 in prepaid expenses and other assets. Net cash of \$5,221 was used by investing activities to acquire property and equipment. Net cash was provided by financing activities totaling \$6,945,000 resulting from \$2,720,000 in the issuance of common stock and \$4,225,000 in loan proceeds.

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.

Our Company commenced operations in 1998 and was initially funded by our three founders, each of whom has made demand loans to our Company that have been repaid. Since 1999, we have relied primarily on equity financing from outside investors to supplement our cash flow from operations.

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 January 1, 2013, we have completed the various financing summarized below.

<b>Date</b>	<b>Dollar Amount</b>	<b># of Securities Sold</b>
During 2013	\$5,562,816	Issued 19,125,000 common shares and warrants to purchase 9,562,000 shares
January/February 2014	\$2,060,300	Issued 6,867,669 common shares and warrants to purchase 3,433,339 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 (1)	\$1,000,000	Issued two-year promissory note in the principal amount of \$1,000,000
December 2014 (1)	\$1,050,000	Issued two-year promissory note in the principal amount of \$1,050,000
January 2015 (1)	\$500,000	Issued two-year promissory note in the principal amount of \$500,000
February 2015 (1)	\$850,000	Issued two-year promissory note in the principal amount of \$850,000
March 2015	\$500,000	Issued 1,666,667 common shares and a like number of warrants

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

April 2015	\$1,710,000	Issued 5,700,000 common shares and a like number of warrants
May 2015	\$510,000	Issued 1,700,000 common shares and a like number of warrants
August/September 2015	\$2,875,000	Issued promissory notes in the principal amount of \$2,875,000 and 2,875,000 shares of restricted common stock and warrants to purchase an additional 2,875,000 shares of restricted common stock

(1) See "Agreement with Carl E. Berg" below.

### Loan Agreements

In November 2014, Carl and Mary Ann Berg 2011 CRT Carl Berg Trustee loaned Mobiquity \$1 million. In December 2014, Clyde J. Berg 2011 CRT Carl Berg Trustee loaned Mobiquity \$1 million. In December 2014, Sherry Berg-Zorn loaned Mobiquity \$50,000. An additional \$500,000 was loaned in January 2015 by the Clyde J. Berg CRT. In February 2015, Berg & Berg Enterprises loaned \$850,000 to Mobiquity. On July 31, 2015, the Company agreed on behalf of the aforementioned debt holders (in anticipation of the \$500,000 loan referenced in the next paragraph by Berg & Berg Enterprises) that the principal and accrued interest on these Notes aggregating \$3.4 million are now convertible at \$.30 per share. Further, for every \$1.00 principal and accrued interest thereon converted, the Note Holder will receive a five-year warrant to purchase one share of common stock at an exercise price of \$.50 per share. No other securities will be issued to the Note Holders upon conversion of their securities. In August 2015, Berg & Berg Enterprises loaned an additional \$500,000 to us and received prepaid interest of 500,000 shares of common stock and warrants to purchase an additional 500,000 shares at \$.40 per share through August 31, 2017. The Berg & Berg Enterprise note is convertible at \$.30 per share and is repayable at the earlier of December 31, 2016 or the completion of an equity financing of at least \$2.5 million. The Note Holder also has the right to elect to convert the \$500,000 note into equity securities of our company on the same terms as the last equity transaction completed by us. In August 2015, Mr. and Mrs. Anthony Abbruzzese loaned \$105,000 to us and received prepaid interest of 105,000 shares of common stock and warrants to purchase an additional 105,000 shares at \$.40 per share through August 31, 2017. The Abbruzzese note is convertible at \$.30 per share and is repayable at the earlier of December 31, 2016 or the completion of an equity financing of at least \$2.5 million. The Note Holder also has the right to elect to convert the \$105,000 note into equity securities of our company on the same terms as the last equity transaction completed by us.

In September 2015, the Company raised an additional \$2,270,000 through the issuance of its unsecured debt on the same terms as set forth in the preceding paragraph. The Company issued 2,270,000 shares of Common Stock and warrants to purchase a like number of shares as prepaid interest. Of the \$2,270,000, Berg & Berg Enterprises invested an additional \$500,000.

#### **Assignment of Secured Promissory Note**

In December 2013, Thomas Arnost, current Vice Chairman of Mobiquity, purchased from TCA Global Credit Master Fund, the Company's outstanding secured 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 June 12, 2014, which was subsequently extended to December 22, 2014 and again extended to December 31, 2015, 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 not 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, 2015 through September 30, 2015, 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 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>
Jan. – March 2015	Promissory Notes	\$1,350,000 in principal amount	\$1,350,000 in principal amount; no cash compensation was paid.	Section 4(2)	Not applicable (1)
March 2015	Common Stock and Warrants	1,666,667 common Shares and warrants	\$500,000 received; no commissions paid	Rule 506	Warrants exercisable at \$.45 through March 31, 2020
Jan. – March 2015	Common Stock	90,000	Services rendered; no commissions paid	Section 4(2)	Not applicable

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

Shares

April – June 2015	Common Stock	435,000 Shares	Services rendered; no commissions paid	Section 4(2)	Not applicable
April – May 2015	Common Stock and Warrants	7,400,000 common Shares and warrants	\$2,220,000 received; no commissions paid	Rule 506	Warrants exercisable at \$.45 through March 31, 2020
July – September 2015	Common Stock	135,000 Shares	Services rendered; no commissions paid	Section 4(2)	Not applicable
January – September 2015	Common Stock	410,180 Shares	Interest paid on  Promissory notes or letter of credit as shares of stock in lieu of cash; no commissions paid	Section 4(2)	Not applicable
August – September 2015	Common Stock, Warrants and Notes	2,875,000 Shares, 2,875,000 warrants and \$2,875,000 of Notes	\$2,875,000; no Commissions paid	Rule 506 and Section 4(2)	\$.40 warrants expiring August 31, 2027

In November 2014, Carl and Mary Ann Berg 2011 CRT, Carl Berg Trustee, loaned us \$1,000,000 pursuant to a two-year unsecured loan. This loan is repayable in November 2016 with interest at the rate of 4% per annum. Carl Berg is the brother of Clyde Berg. In December 2014, the Clyde Berg 2011 CRT with Carl Berg as Trustee, loaned us \$1,000,000 pursuant to a two-year unsecured loan. This loan is repayable in December 2016 with interest at the rate of 4% per annum. We had an agreement with the Bergs to loan us an additional \$500,000 on the same terms, which monies were received by us in January 2015. On December 29, 2014, Clyde Berg's daughter (1) loaned us \$50,000 pursuant to a two-year note. The principal and accrued interest on all of the aforementioned notes are currently convertible at a conversion price of \$.30 per share. For every \$1.00 of principal and accrued interest thereon converted, the noteholder will also receive a five-year warrant to purchase one share of common stock at an exercise price of \$.50 per share. The foregoing loans were all part of a letter agreement dated December 15, 2014 with Carl E. Berg pursuant to which unsecured loans could be advanced to the Company of up to \$10 million through June 30, 2015. As no additional monies were received by the Company as of June 30, 2015, Mr. Berg's right to make additional loans had expired.

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

(c) In the three months ended September 30, 2015, 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 Number Exhibit Title**

3.1	Certificate of Incorporation filed March 26, 1998 (1)
3.2	Amendment to Certificate of Incorporation filed June 10, 1999 (1)
3.3	Amendment to Certificate of Incorporation approved by stockholders in 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)
3.8	Amended By-Laws (1)
3.9	2014 Amendment to By-Laws (19)
4.1	Registration Rights Agreement (18)

- 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 June 12, 2012 by and between the company and TCA (13)
- 10.13 Equity Agreement dated June 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 - Sean Trepeta (19)
- 10.19 Employment Agreement - Paul Bauersfeld (19)
- 10.20 Employment Agreement - Thomas Arnost (20)
- 10.21 December 2013 Agreement with Thomas Arnost modifying secured debt purchased by Arnost from TCA (19)
- 10.22 Letter Agreement dated December 9, 2014 with Thomas Arnost to extend expiration date of secured note to December 31, 2015 (19)
- 10.23 Letter Agreement dated July 8, 2013 with Thomas Arnost to provide letter of credit for \$1,350,000 (19)
- 10.24 Letter Agreement dated July 8, 2013 with SNW Properties to provide letter of credit for \$1,350,000 (19)
- 10.25 Letter Agreement dated December 15, 2014 with Carl E. Berg (19)
- 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 (21)
- 21.1 Subsidiaries of the Issuer (15)
- 31.1 Rule 13a-14(a) Certification in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (\*)
- 31.2 Rule 13a-14(a) Certification in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (\*)
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (\*)
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (\*)

99.1	2005 Employee Benefit and Consulting Services Compensation Plan (2)
99.2	Form of Class A Warrant (2)
99.3	Form of Class B Warrant (2)
99.4	Amendment to 2005 Plan (4)
99.5	Form of Class C Warrant (8)
99.6	2009 Employee Benefit and Consulting Services Compensation Plan (3)
99.7	Form of Class D Warrant (3)
99.8	Form or 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 (19)
101.INS	XBRL Instance Document (*)
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 June 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 June 14, 2012.
- (13) Incorporated by reference to the Registrant's Form 8-K dated June 15, 2012.
- (14) Incorporated by reference to the Registrant's Form 8-K dated June 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 June 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.
- (19) Incorporated by reference to Form 8-K filed with the SEC on December 19, 2014.
- (20) Incorporated by reference to Form 8-K dated December 2, 2014.

(21) Incorporated by reference to the Registrant's Form 10-K for its fiscal year ended December 31, 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.

MOBIQUITY TECHNOLOGIES,  
INC.

Date: November 13, 2015 By: /s/ Dean L. Julia  
Dean L. Julia,  
Co-Principal Executive Officer

Date: November 13, 2015 By: /s/ Michael D. Trepeta  
Michael D. Trepeta,  
Co-Principal Executive Officer

Date: November 13, 2015 By: /s/ Sean McDonnell  
Sean McDonnell,  
Principal Financial Officer