

Mobiquity Technologies, Inc.  
Form 10-Q  
December 09, 2016

**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, 2016**

**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)

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

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

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

Yes    No

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

Yes    No

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

Large Accelerated Filer    Accelerated Filer  
Accelerated Filer            Smaller Reporting Company

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

Yes    No

As of December 5, 2016, the registrant had a total of 97,300,103 shares of Common Stock outstanding.

**MOBIQUITY TECHNOLOGIES, INC.**

**FORM 10-Q QUARTERLY REPORT**

**TABLE OF CONTENTS**

	PAGE
<b>PART I. FINANCIAL INFORMATION</b>	<b>3</b>
Item 1. Financial Statements	3
Condensed Consolidated Balance Sheets as of September 30, 2016 (unaudited) and December 31, 2015 (audited)	3
Condensed Consolidated Statements of Operations for the Three Months and Nine Months Ended September 30, 2016 and September 30, 2015 (unaudited)	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and September 30, 2015 (unaudited)	5
Notes to Condensed Financial Statements (unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3 Quantitative and Qualitative Disclosures	25
Item 4. Controls and Procedures	25
<b>PART II. OTHER INFORMATION</b>	
Item 1. Legal Proceedings	26
Item 1a. Risk Factors	26
Item 2. Changes in Securities	26
Item 3. Defaults Upon Senior Securities	27
Item 4. Mine Safety Disclosures	27
Item 5. Other Information	27
Item 6. Exhibits and Reports on Form 8-K	27
<b>SIGNATURES</b>	<b>29</b>



**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****MOBIQUITY  
TECHNOLOGIES, INC.**

## Condensed Consolidated Balance Sheets

	September 30, 2016 Unaudited	December 31, 2015 Audited
Assets		
Current Assets:		
Cash and cash equivalents	\$224,974	\$2,044,662
Accounts receivable, net	204,111	323,313
Inventory, net	92,463	117,893
Prepaid expenses and other current assets	58,763	634,372
Total Current Assets	580,311	3,120,240
Property and equipment, net	252,462	103,355
Intangible assets, net	44,267	65,717
Other assets	43,359	41,858
Total Assets	\$920,399	\$3,331,170
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Accounts payable	\$811,713	\$538,631
Accrued expenses	754,144	474,000
Derivative liability	19,657	576,557
Convertible promissory notes, net	9,487,329	4,276,194
Total Current Liabilities	11,072,843	5,865,382
Long-term portion of convertible promissory notes, net	—	1,571,773
Total Liabilities	11,072,843	7,437,155
Stockholders' Deficit:		

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

Preferred Stock, \$.0001 par value; 5,000,000 shares authorized, 240,000 and 200,000 shares issued and outstanding at September 30, 2016 and December 31, 2015 respectively	25	20
Common stock, \$.0001 par value; 500,000,000 and 200,000,000 shares authorized; 85,391,768 and 78,781,757 shares issued and outstanding at September 30, 2016, and December 31, 2015, respectively	<b>8,549</b>	7,887
Additional paid-in capital	37,840,955	36,356,626
Accumulated other comprehensive income (loss)	(8,589 )	1,072
Accumulated deficit	(47,993,384)	(40,471,590)
Total Stockholders' Deficit	(10,152,444)	(4,105,985 )
Total Liabilities and Stockholders' Deficit	\$920,399	\$3,331,170

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)	
	2016	2015	2016	2015
Revenues				
Product revenue	\$488,011	\$595,760	\$1,530,801	\$1,682,711
Service revenue	42,562	–	113,494	–
	530,573	595,760	1,644,295	1,682,711
Cost of Revenues				
Cost of product revenue	340,838	520,145	1,114,718	1,388,168
Cost of service revenue	34,603	–	122,913	–
	375,441	520,145	1,237,631	1,388,168
Gross Profit	155,132	75,615	406,664	294,543
Operating Expenses:				
Selling, general and administrative	2,074,282	2,782,678	6,945,037	8,345,178
Total Operating Expenses	2,074,282	2,782,678	6,945,037	8,345,178
Loss from Operations	(1,919,150 )	(2,707,063 )	(6,538,373 )	(8,050,635 )
Other Income (Expense):				
Interest expense	(1,179,309 )	(193,877 )	(2,601,814 )	(371,213 )
Gain/(Loss) on Derivative Instrument	1,444,861	103,119	2,201,696	103,119
Initial derivative expense	–	–	(565,780 )	–
(Loss) on disposition of fixed assets	(17,526 )	–	(17,526 )	–
Interest income	–	3	3	39
Total Other Income (Expense)	248,026	(90,755 )	(983,421 )	(268,055 )
Net Loss	(1,671,124 )	\$(2,797,818 )	(7,521,794 )	\$(8,318,690 )
Other Comprehensive Income/(Loss)	11,129	(693 )	(9,660 )	(6,784 )

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

Net Comprehensive Loss	\$ (1,659,995 )	\$ (2,798,511 )	\$ (7,531,454 )	\$ (8,325,474 )
Net Loss Per Common Share:				
Basic and Diluted	\$ (0.02 )	\$ (0.04 )	\$ (0.09 )	\$ (0.12 )
Weighted Average Common Shares Outstanding:				
Basic and Diluted	82,656,917	74,734,312	81,619,169	71,584,163

See notes to condensed consolidated financial statements



**MOBIQUITY  
TECHNOLOGIES, INC.**

## Condensed Consolidated Statements of Cash Flows

Nine Months Ended September 30,	2016	2015
	Unaudited	Unaudited
Cash Flows from Operating Activities:		
Net loss	\$(7,521,794)	\$(8,318,690)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation Expense	90,942	154,044
Amortization - Intangible Assets	21,450	-
Amortization - Debt discount	1,878,002	-
Stock-based compensation	512,949	1,316,714
Common stock issued for services	122,750	170,805
Initial derivative expense	565,780	-
Gain on change in derivative	(2,201,696)	(103,119 )
Loss on disposition of fixed assets	17,526	-
Debt discount on deferred financing	-	67,466
Changes in operating assets and liabilities:		
Accounts receivable	119,202	53,774
Inventory	25,430	19,029
Prepaid expenses and other assets	574,108	21,719
Accounts payable	273,082	(38,821 )
Accrued expenses and other current liabilities	729,441	123,374
Total adjustments	2,728,966	1,784,985
Net Cash Used in Operating Activities	(4,742,828)	(6,533,705)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(257,575 )	(5,221 )
Net Cash Used in Investing Activities	(257,575 )	(5,221 )
Cash Flows from Financing Activities:		
Proceeds from the issuance of notes	2,840,376	4,225,000
Proceeds from issuance of common stock	-	2,720,000
Proceeds for the issuance of preferred stock	400,000	-
Net Cash Provided by Financing Activities	3,240,376	6,945,000
Net change in Cash and Cash Equivalents	(1,810,027)	406,074
Cash and Cash Equivalents, beginning of period	2,044,662	1,654,171
Change in foreign currency	(9,661 )	(4,548 )

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

Cash and Cash Equivalents, end of period	\$224,974	\$2,055,697
Supplemental Disclosure Information:		
Cash paid for interest	\$61,192	\$57,726
Cash paid for taxes	\$-	\$-
Non-cash Disclosures:		
Stock issued for interest	\$449,297	\$120,855
Original debt discount against derivative liabilities	\$1,079,016	\$-
Recognition of debt discount	\$-	\$-

**MOBIQUITY TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015**  
**(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 have also added 30 malls operating by Rouse Properties TRS, Inc. which we will refer to as "Rouse." In December 2015, we entered into an agreement with GGPLP REIT Services, LLC (which we refer to as "GGP"), the second largest mall operator in the United States, to install our Mobi-Beacons in approximately 120 malls in 2016, about half of which are installed. 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. For example, we have entered into an agreement with the New York State University at Stony Brook to deploy a mobile advertising network in their new arena. This type of installation will enable fan engagement, cross-marketing opportunities, sponsorship activation and create interactive event experiences. This is our first installation in the university market.

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.

**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 three months and nine months ended September 30, 2016. As of September 30, 2016, the Company has an accumulated deficit of \$47,993,384. The Company has had negative cash flows from operating activities of \$4,792,828 for the nine months ended September 30, 2016. These factors raise substantial doubt about the ability of the Company to continue as a going concern.

Management has plans to address the Company's financial situation as follows:

In the near term, management plans to continue to focus on raising the funds necessary to implement the Company's business plan related to the Bluetooth-enabled iBeacon compatible technology. Management will continue to seek out debt financing to obtain the capital required to meet the Company's financial obligations. There is no assurance, however, that lenders and investors will continue to advance capital to the Company or that the new business operations will be profitable. The possibility of failure in obtaining additional funding and the potential inability to achieve profitability raises doubts about the Company's ability to continue as a going concern.

In the long term, management believes that the Company's projects and initiatives will be successful and will provide cash flow to the Company that will be used to finance the Company's future growth. However, there can be no assurances that the Company's efforts to raise equity and debt at acceptable terms or that the planned activities will be successful, or that the Company will ultimately attain profitability. The Company's long-term viability depends on its ability to obtain adequate sources of debt or equity funding to meet current commitments and fund the continuation of its business operations, and the ability of the Company to achieve adequate profitability and cash flows from operations to sustain its operations.

**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, 2016, the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015 and the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015 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, 2016, results of operations for the three and nine months ended September 30, 2016 and 2015 and cash flows for the nine months ended September 30, 2016 and 2015. All such adjustments are of a normal recurring nature. The results of operations and cash flows for the three and nine months ended September 30, 2016 and our cash flows for the nine months ended September 30, 2016 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, 2015.

**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**- The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1 - Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, other current assets, accounts payable & accrued expenses, certain notes payable and notes payable - related party, approximate their fair values because of the short maturity of these instruments.

The following table summarizes the derivative liability activity for the period December 31, 2015 through September 30, 2016:

Description	Derivative Liabilities
Fair value at December 31, 2015	\$576,557
Change due to Issuances	1,644,796
Change in Fair Value	(2,201,696)
Fair value at September 30, 2016	\$19,657

For the three month period ended September 30, 2016, net derivative income/(loss) was \$1,494,861 and an initial derivative expense of \$0.00.

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	\$ -	\$19,657	\$ -	\$19,657

The Company accounts for its derivative liabilities, at fair value, on a recurring basis under level 2.

### **Embedded Conversion Features**

The Company evaluates embedded conversion features within convertible debt under ASC 815 "Derivatives and Hedging" to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 "Debt with Conversion and Other Options" for consideration of any beneficial conversion feature.

### **Derivative Financial Instruments**

The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting related to 22 convertible notes issued totaling \$3,675,000 which included a ratchet provision in the conversion price of \$0.30 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.

In this period ending September 30, 2016 the Company issued additional financial instruments in a subscription that are considered derivatives or contain embedded features subject to derivative accounting related to six convertible notes issued totaling \$700,000 which included a ratchet provision in the conversion price of \$0.20 or a price equal to the last equity transaction completed by the Company as part of the ongoing subscription agreement and the additional warrants (3 year options with an exercise price of \$0.20) issued as part of the note conversions. The notes all have a maturity date of October 31, 2016. Subsequent to period end, the notes have been extended to December 15, 2015.

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, 2016. The fair values of the derivative instruments are measured each quarter \$19,657 as of September 30, 2016, which resulted in a fair value gain of \$1,494,861 and derivative expense of \$0.00 during the three months ended September 30, 2016. As of September 30, 2016, the fair market value of the derivatives aggregated \$19,657, using the following assumptions: estimated 0.050 to 5.0-year term (notes and warrants), estimated volatility of 131.39% to 275.40%, and a discount rate of 0.36% to 0.49%.

Cash and cash equivalents include money market securities that are considered to be highly liquid and easily tradable as of September 30, 2016 and December 31, 2015. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

The carrying amounts of financial instruments, including accounts receivable, accounts payable and accrued liabilities, and promissory note, approximated fair value as of September 30, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, the balances were \$224,974 and \$2,044,662, 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 of September 30, 2016 and December 31, 2015, the Company exceeded FDIC limits by \$0 and \$1,644,032, 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;
- 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 has three avenues of income with our beacon platform, Bluetooth Push and Wi-Fi. 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. Revenue is recognized the same way for the three mobile solutions. 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 location signal data. The third option would be through selling 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, 2016 and December 31, 2015, allowance for doubtful accounts were \$104,611 and \$104,611, 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, 2016 and December 31, 2015, 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. Leasehold improvements are being amortized using the straight-line method over the estimated useful lives of the related assets or the remaining term of the lease. The costs of additions and improvements, which substantially extend the useful life of a particular asset, are capitalized. Repair and maintenance costs are charged to expense. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and the gain or loss on disposition is reflected in operating income.

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

**WEBSITE TECHNOLOGY** - Website technology developed during the 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 nine months ended September 30, 2016 and September 30, 2015, there were advertising costs of \$3,129 and \$5,495, 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, "*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.

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

#### **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

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 share is determined by dividing the net loss by the weighted-average number of shares of common shares outstanding during the period. Diluted EPS is determined by dividing net loss by the weighted average number of common shares used in the basic EPS calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding under the treasury stock and if converted method. As of September 30, 2016 there were 48,866,270 potential dilutive shares that needed to be considered as common share equivalents.

**NOTE 3: CONVERTIBLE PROMISSORY NOTE**

Summary of Convertible Promissory Notes:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Armost Note	\$322,000	\$322,000
Cavu Notes net of \$13,368 for 2016 and \$33,216 for 2015	236,632	221,773
Berg Notes (a)	3,722,000	3,722,000
Investor Notes, net of discounts	4,091,321	1,582,194
Total Debt	8,371,953	5,847,967
Current portion of debt	8,371,953	4,276,194
Long-term portion of debt	\$-	\$1,571,773

Between August and December 2015, the Company borrowed \$3,675,000 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 \$1 of principal, one share of common stock and a warrant to purchase one share of common stock at an exercise price of \$0.40 per share (a) through August 31, 2017. Accordingly, an aggregate of 3,675,000 shares of common stock and warrants to purchase a like amount were issued in the last six months of 2015. Each noteholder has the right to convert the principal of their note and accrued interest thereon at a conversion price of \$0.30 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.

The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting related to 22 convertible notes issued totaling \$3,675,000 which included a ratchet provision in the conversion price of \$0.30 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, 2016. The fair values of these derivative instruments are measured each quarter, which resulted in a gain of \$573,610. As of September 30, 2016, the fair market value of these derivatives aggregated \$2,947, using the following assumptions: estimated 0.25 year term, estimated volatility of 275%, and a discount rate of 0.29%.

In April 2016 through the filing date of this Form 10-Q, the Company issued and sold 12% unsecured promissory notes in the principal amount of \$1,025,000, convertible at \$0.20 per common share. Upon conversion, the note holders would receive 100% warrant coverage, exercisable at \$0.20 per common share over a period of five years with cashless exercise provisions. These notes automatically convert in the event at least \$5 million is raised in an equity financing. Prior to the mandatory conversion date, note holders have the option to convert the principal and accrued interest also on the same terms as the mandatory conversion and the Company has the option to prepay. The fair values of the derivative instruments are measured each quarter, which resulted in a gain of \$1,112,089. As of September 30, 2016, the fair market value of these derivatives aggregated \$16,710, using the following assumptions: estimated 0.54 year term, estimated volatility of 201.10% , and a discount rate of 0.45%.

The Company raised \$700,000 in the third quarter of 2016 from the sale of secured promissory notes in the principal amount of \$700,000 from six accredited investors. Each Note was scheduled to be repaid on October 31, 2016, but payment was not made. In lieu of interest on the Note, 4,900,000 restricted shares of common stock were issued to the Note Holders. At the option of the Note Holder, each Note shall be convertible at the lower of \$.20 per common share or into securities on the same terms of the next completed equity offering of at least \$10 million in gross proceeds. In the event the Note is converted into common stock, 100% warrant conversion shall be provided to the Note Holder for each share of common stock issued upon conversion. These warrants will have a term of three years and shall be exercisable at \$.20 per common share. Prior to this offering, Thomas Arnost, Executive Chairman, has a secured interest in the amount of \$322,000 in the assets of the Company and its subsidiaries. Mr. Arnost has agreed that the investors in this offering will have a pari passu first secured interest with Mr. Arnost in all assets of the Company and its subsidiaries. The fair values of the derivative instruments are measured each quarter, which resulted in a gain of \$54,016. As of September 30, 2016, the fair market value of these derivatives aggregated \$0.00, using the following assumptions: estimated volatility of 201.10% , and a discount rate of 0.20%.

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

In December 2015, the Company sold 200,000 shares of its Series AA Preferred Stock at a purchase price of \$10 per share and raised \$2 million. Each share of Preferred Stock is convertible into 50 shares of Common Stock at an effective conversion price of \$.20 per share of Common Stock. The Preferred Stockholder has anti-dilution protection rights through December 31, 2016. In the first quarter of 2016, the Company sold an additional 40,000 shares of its Series AA Preferred Stock and raised \$400,000.

During the quarter ended March 31, 2016, the Company issued 695,000 common shares, at \$0.10 to \$0.19 per share, valued at \$97,800. During the June 30, 2016 quarter the Company issued 245,000 common shares, at \$0.10 to \$0.11 per share, valued at \$24,950 in exchange for services rendered.

During the quarter ended March 31, 2016, the Company issued 210,333 common shares, at \$0.13 to \$0.18 per share, valued at \$35,215. During the June 30, 2016 quarter the Company issued 244,344 common shares, at \$0.11 per share, valued at \$27,000 in exchange for interest. During the September 30, 2016 quarter the Company issued 5,215,334 common shares, at \$0.06 to \$0.11 per share, valued at \$387,082 in exchange for interest.

#### 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, 2016 and 2015 include employee share-based compensation expense totaling approximately 163,500 and \$361,500, respectively. The Company's results for the nine-month periods ended September 30, 2016 and 2015 include employee share-based compensation expense totaling approximately \$512,900 and \$361,500, 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, 2016 and 2015 (unaudited):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Employee stock-based compensation - option grants	\$142,040	\$361,500	\$437,699	\$1,113,254
Employee stock-based compensation - stock grants	—	—	—	—
Non-Employee stock-based compensation - option grants	21,500	—	75,250	29,405
Non-Employee stock-based compensation - stock grants	—	—	—	—
Non-Employee stock-based compensation-stock warrant	—	—	—	174,055
Total	\$163,540	\$361,500	\$512,949	\$1,316,714

**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.)

In the first quarter of 2016, the Board approved and stockholders ratified a 2016 Employee Benefit and Consulting Services Compensation Plan covering 10,000,000 shares (the "2016 Plan") and approving moving all options which exceeded the 2009 Plan limits to the 2016 Plan.

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



The weighted average assumptions made in calculating the fair values of options granted during the three and nine months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30		Nine Months Ended June 30	
	2016	2015	2016	2015
Expected volatility	131.39%	20.30%	134.23%	31.30%
Expected dividend yield	—	—	—	—
Risk-free interest rate	0.97%	1.55%	1.24%	1.88%
Expected term (in years)	5.00	5.00	5.00	8.64

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2016	19,340,000	.39	7.97	\$ 2,500
Granted	750,000	.10	4.52	—
Exercised	—	—	—	—
Cancelled & Expired	(1,125,000 )	—	—	—
Outstanding, September 30, 2016	18,965,000	.42	5.35	\$ —
Options exercisable, September 30, 2016	17,250,416	.42	5.40	\$ —

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2016 and 2015 was \$0.10 and \$0.40, respectively.

The aggregate intrinsic value of options outstanding and options exercisable at September 30, 2016 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for the shares that had exercise prices, that were lower than the \$0.02 closing price of the Company's common stock on September 30, 2016.

As of September 30, 2016, the fair value of unamortized compensation cost related to unvested stock option awards was \$606,698.

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

The weighted average assumptions made in calculating the fair value of warrants granted during the three and nine months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Expected volatility	0.00%	16.25%	0.00%	9.69%
Expected dividend yield	—	—	—	—
Risk-free interest rate	0.00%	0.71%	0.00%	0.37%
Expected term (in years)	—	1.4	—	0.88

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2016	36,436,782	\$ .51	4.58	\$ 24,800
Granted	—	\$ —	—	—
Exercised	—	—	—	—
Expired	(4,175,712 )	—	—	—
Outstanding, September 30, 2016	32,610,070	\$ .49	1.91	—
Warrants exercisable, September 30, 2016	32,261,070	\$ .49	1.91	\$ —

## NOTE 7: COMMITMENTS AND CONTINGENCIES

### *COMMITMENTS—*

#### *Simon Properties*

In April 2011, we entered into our agreement with Simon Property Group, which agreement was amended first in September 2013 and then in July 2014. This second amendment provides for us to expand our location-based mobile mall network footprint to about 240 Simon malls across the United States. Our agreement with Simon currently expires December 31, 2017. Simon is entitled to receive fees from us equal to the greater of a pre-set per mall fee or a percentage of revenues derived from within the Simon Mall network. The revenue share agreement in which Simon participates will exceed the minimum annual mall fees if the Company has generated revenues within the Simon network of about \$15 million or more in a calendar year. Our agreement with Simon requires the company to maintain letters of credit for each calendar year under the agreement represented by the minimum amount of fees due for such calendar year. For 2015, the minimum fees of \$2.7 million has been secured through two bank letters of credit, one of which was issued in the amount of \$1,350,000 utilizing the funds of a non-affiliated stockholder and the second letter of credit was obtained in the same amount through the funds of Thomas Arnost, our Executive Chairman. In the event Simon draws down upon either letter of credit, we have until the next minimum payment due date (approximately 90 days) after the draw down to obtain replacement letters of credit. Each person who secured our letters of credit has the opportunity to notify us that they wish to turn the cash funds securing the letters of credit over to us and to convert such funds into Common Stock currently at a conversion price of \$.20 per share. Also, each person who issued the letter of credit is receiving quarterly, while the letters of credit are outstanding, options to purchase 125,000 shares of Common Stock, exercisable at the prevailing market price per share on the date of grant and interest at the rate of 8% per annum on the monies that they have had to set aside in their bank accounts and are unable to have access to such monies. In April, July and October, 2016, Simon drew down on each bank letter of credit for an aggregate of \$557,688 owed to each letter of credit provider.

#### *GGP*

In January 2016, we entered into a license agreement with GGP, with an effective date of November 20, 2015. Pursuant to our agreement with GGP, we agreed to install Mobi-Beacons to send information across the air space of the common areas of our GGP mall network, which included approximately 120 malls across the United States. See “Subsequent Events” regarding the November 16, 2016 termination of this agreement.

#### *Macerich*

In April 2015, we entered into a license agreement with Macerich, which became effective June 2015. 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 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 is exclusive. Under a 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. We believe that the revenue share in which Macerich participates will exceed the minimum annual mall fees if we generate revenues within the Macerich network of approximately \$3 million or more in a calendar year. 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.

#### *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 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.

*Rouse*

Pursuant to a master agreement entered into in 2015, we entered into an agreement with Rouse pursuant to which we have the right to install our Mobi-Beacons to send information across the air space of the common areas of our Rouse mall network, which will include approximately 30 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 Rouse, Rouse 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. Either party may also terminate the agreement due to a material breach which is not cured within 30 days of written notice. Also, Rouse upon at least 60 days written notice to us prior to the end of the second contract year, may terminate the agreement with respect to any participating property for any reason at the end of the second contract year. The agreement also provides for Rouse to adjust the number of malls subject to the agreement from time-to-time based upon changes in its beneficial ownership in the malls.

In February 2012, we entered into a 63-month lease agreement for new executive office space of approximately 4,200 square feet located at 600 Old Country Road, Suite 541, Garden City, NY 11530. The annual rent under this office facility for the first year is estimated at \$127,000, including electricity, subject to an annual increase of 3%. Additional office space in the same building is leased on a month to month basis for \$1,600 per month for approximately 800 square feet. This additional space was cancelled on September 30, 2016.

Our lease for approximately 2,000 square feet of space at an annual cost of approximately \$28,600 (inclusive of taxes) at 1105 Portion Road, Farmingville, NY 11738 expired in November 2013. We currently lease this property on a month to month basis for approximately \$2,500 per month beginning December 2014, with a 5% increase in rent each month.

In March 2013, we entered into a two-year lease for an approximately 1,200 square foot facility of office and warehouse space in Barcelona, Spain, at monthly cost of approximately \$2,200. This lease on a month-to-month basis.

In March of 2014, we entered into a month-to-month lease agreement for approximately 400 square feet of office space located in Manhattan, NY at a monthly cost of \$3,700. In May of 2015 we moved to a larger location with the same landlord on a month to month basis for \$5,250 each month.

Rent and real estate tax expense was approximately \$886,000 and \$910,000 for the three months ended September 30, 2016 and 2015, respectively. Rent and real estate tax expense was approximately \$2,801,000 and \$2,408,000 for the

nine months ended September 30, 2016 and 2015, respectively.

### *EMPLOYMENT CONTRACTS*

#### Michael D. Trepeta and Dean L. Julia

On March 1, 2005, the Company entered into employment contracts with two of its officers, namely, Dean L. Julia and Michael D. Trepeta. The employment agreements provide for minimum annual salaries, currently \$30,000 per month (which does not include \$2,000 per month which has been deferred until receipt of additional financing), plus bonuses equal to 5% of pre-tax earnings (as defined) and other perquisites commonly found in such agreements. On March 1st of each year, each officer receives a \$2,000 per month salary increase. In addition, pursuant to the employment contracts, the Company annually grants each officer options to purchase 200,000 shares of common stock.

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

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



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

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

Thomas Arnost

In December 2014, we entered into a three-year employment agreement with Thomas Arnost serving as Executive Chairman of the board. Mr. Arnost receives a monthly salary of \$10,000 plus an annual grant of options for serving on the board of directors. In the event of his termination, by Mr. Arnost or by the company for cause, Mr. Arnost will receive his pay through the termination date. In the event that Mr. Arnost is terminated without cause, he shall be entitled to receive his salary paid through the end of the term of his agreement. Mr. Arnost may terminate the agreement at any time by giving three months prior written notice to our board of directors. Mr. Arnost will also be entitled to indemnification against all claims, judgments, damages, liabilities, costs and expenses (including reasonably legal fees) arising out of, based upon or related to his performance of services to us, to the maximum extent permitted by law.

Sean Trepeta

In December 2014, Mobiquity Networks entered into an employment agreement with Sean Trepeta, to serve as President of Mobiquity Networks as an employee at will. Mr. Trepeta, as a full-time employee, is to be paid a salary at the rate of \$20,000 per month. Upon the execution of the agreement, he received 10-year options to purchase 1,500,000 shares of our common stock vesting quarterly over a period of three years. For calendar 2016, he will be entitled to a bonus of \$125,000 upon revenues of Mobiquity Networks achieving a minimum of \$6 million in revenues and a further bonus of \$125,000 for a total of \$250,000 at such time as Mobiquity Network's revenues achieve a minimum of \$12 million, it being understood that any revenues which do not have a 30% margin shall not count toward these totals. All options granted to Mr. Trepeta will become immediately vested in the event of a change in control of our Company or sale of substantially all of our assets. In the event we terminate Mr. Trepeta without cause,



after six months of continued employment under the employment agreement, Mr. Trepeta is entitled to receive three months' severance pay.

Paul Bauersfeld

In December 2014, we entered into an employment agreement with Paul Bauersfeld, our Chief Technology Officer, who is an employee at will. Mr. Bauersfeld, as a full-time employee, is to be paid a salary at the rate of \$25,000 per month. Upon the execution of the agreement, he received 10-year options to purchase 1,000,000 shares of our common stock vesting quarterly over a period of three years. For calendar 2016, he will be entitled to a bonus of \$125,000 upon revenues of Mobiquity Networks achieving a minimum of \$6 million in revenues and a further bonus of \$125,000 for a total of \$250,000 at such time as Mobiquity Network's revenues achieve a minimum of \$12 million, it being understood that any revenues which do not have a 30% margin shall not count toward these totals. The foregoing compensatory arrangements with Mr. Bauersfeld is in addition to the non-statutory stock options to purchase 2,600,000 shares of our common stock previously granted to Mr. Bauersfeld. All options granted to Mr. Bauersfeld will become immediately vested in the event of a change of control of our company or sale of substantially all of our assets. In the event we terminate Mr. Bauersfeld without cause, Mr. Bauersfeld is entitled to receive six months' severance pay.

Sean McDonnell

Sean McDonnell, our Chief Financial Officer, is an employee at will and is currently receiving a salary of \$132,000 per annum.

*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, 2016 a customer accounted for approximately 25% of net revenues. During the nine months ended September 30, 2015 a customer accounted for approximately 31% of net revenues and for the nine months ended September 30, 2016 a customer accounted for approximately 27% 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 2016

Quarter Ended September 30, 2016		
Ace		
Marketing	Mobiquity	
&	Networks,	Total
Promotions, Inc.		
Inc.		

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

Revenues, net	\$488,011	42,562	\$530,573
Operating (loss), before interest amortization, depreciation and taxes	(147,761)	(316,474 )	(464,235 )
Interest income	—	—	—
Interest (expense)	(1,828 )	(1,177,481)	(1,179,309)
Depreciation and amortization	(5,678 )	(21,902 )	(27,580 )
Net Loss	(155,267)	(1,515,857)	(1,671,124)
Assets at September 30, 2016	387,826	532,573	920,399

Nine Months Ended September, 2016

	Nine Months Ended September 30, 2016		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks, Inc.	Total
Revenues, net	\$1,530,801	113,494	\$1,644,295
Operating (loss), before interest amortization, depreciation and taxes	(582,966 )	(4,224,624)	(4,807,590)
Interest income	3	—	3
Interest (expense)	(3,403 )	(2,598,411)	(2,601,814)
Depreciation and amortization	(16,297 )	(96,096 )	(112,393 )
Net Loss	(602,663 )	(6,919,131)	(7,521,794)
Assets at September 30, 2016	387,826	532,573	920,399

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

## Third Quarter of Fiscal 2015

	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

	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.

**NOTE 9: STOCKHOLDER AUTHORIZATION OF REVERSE STOCK SPLIT**

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. As of the date of this Report, the Board has not taken any action to act upon this authorization.

**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:

In November 2016, our contract with GGP was terminated;

In November 2016, the secured note holders of \$700,000 extended the maturity date of their notes to December 15, 2016;

Between October 2016 and the filing date of this report, the Company received and accepted approximately \$595,000 from the exercise of outstanding options and warrants at an agreed upon reduced price of \$.05 per share; and

In November 2016, Michael Trepeta, Co-Chief Executive Officer and a director took a medical leave of absence.

## **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, 2015 which includes our audited financial statements for the year ended December 31, 2015 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 mall locations to create "smart malls" using Bluetooth-enabled iBeacon compatible technology. Mall locations include Simon malls, Macerich malls, GGP malls, Rouse malls and Preit malls across the United States. 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. For example, we have entered into an agreement with the New York State University at Stony Brook to deploy a mobile advertising network in their new arena. This type of installation will enable fan engagement, cross-marketing opportunities, sponsorship activation and create interactive event experiences. This is our first installation in the university market.

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*

In April 2011, we entered into our agreement with Simon Property Group, which agreement was amended first in September 2013 and then in July 2014. This second amendment provides for us to expand our location-based mobile mall network footprint to about 240 Simon malls across the United States. Our agreement with Simon currently expires December 31, 2017. Simon is entitled to receive fees from us equal to the greater of a pre-set per mall fee or a percentage of revenues derived from within the Simon Mall network. The revenue share agreement in which Simon participates will exceed the minimum annual mall fees if the Company has generated revenues within the Simon network of about \$15 million or more in a calendar year. Our agreement with Simon requires the company to maintain letters of credit for each calendar year under the agreement represented by the minimum amount of fees due for such calendar year. For 2015, the minimum fees of \$2.7 million has been secured through two bank letters of credit, one of which was issued in the amount of \$1,350,000 utilizing the funds of a non-affiliated stockholder and the second letter of credit was obtained in the same amount through the funds of Thomas Arnost, our Executive Chairman. In the event Simon draws down upon either letter of credit, we have until the next minimum payment due date (approximately 90 days) after the draw down to obtain replacement letters of credit. Each person who secured our letters of credit has the opportunity to notify us that they wish to turn the cash funds securing the letters of credit over to us and to convert such funds into Common Stock currently at a conversion price of \$.20 per share. Also, each person who issued the letter of credit is receiving quarterly, while the letters of credit are outstanding, options to purchase 125,000 shares of Common Stock, exercisable at the prevailing market price per share on the date of grant and interest at the rate of 8% per annum on the monies that they have had to set aside in their bank accounts and are unable to have access to such monies. In April and July, 2016, Simon drew down on each bank letter of credit for an aggregate of \$557,688 owed to each letter of credit provider.





*Macerich*

In April 2015, we entered into a license agreement with Macerich, which became effective June 2015. 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 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 is exclusive. Under a 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. We believe that the revenue share in which Macerich participates will exceed the minimum annual mall fees if we generate revenues within the Macerich network of approximately \$3 million or more in a calendar year. 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.

*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 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.

*Rouse*

Pursuant to a master agreement entered into in 2015, we entered into an agreement with Rouse pursuant to which we have the right to install our Mobi-Beacons to send information across the air space of the common areas of our Rouse mall network, which will include approximately 30 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 Rouse, Rouse 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. Either party may also terminate the agreement due to a material breach which is not cured within 30 days of written notice. Also, Rouse upon at least 60 days written notice to us prior to the end of the second contract year, may terminate the agreement with respect to any participating property for any reason at the end of the second contract year. The agreement also provides for Rouse 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;

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 has three avenues of income with our beacon platform, Bluetooth Push and Wi-Fi. 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. Revenue is recognized the same way for the three mobile solutions. 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 location signal data. The third option would be through selling 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 Mobiquity hardware solutions in Simon malls, Macerich malls, Preit malls and Rouse malls in the United States. We are attempting to raise financing to support our operations and 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 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, indoor mapping, security and mobile payments.

We anticipate continuing to rely on external financing from sales of our common stock to support our operations until cash flow from operations has a positive impact on operations, although no assurances can be given in this regard.

## 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.

	Three Months Ended	
	September 30	
	2016	2015
Revenue	\$530,573	\$595,760
Cost of Revenues	\$375,441	\$520,145
Gross Profit	\$155,132	\$75,615
Selling, General and Administrative Expenses	\$2,074,282	\$2,782,678
(Loss) from Operations	\$(1,919,150)	\$(2,707,063)

We generated revenues of \$530,573 in the third quarter of 2016 compared to \$595,760 in the same period of the prior year. As our mall network has only recently been expanded, at the current time, revenues from the use of our Mobiquity devices are consisted of \$42,562 of our consolidated revenues. In future reporting periods, we anticipate our revenues increasing in our Mobiquity Networks subsidiary due to the implementation of our Mobi-Beacons and the data that can be derived therefrom and the expectation that advertisers will begin to utilize our mall network. See “Plan of Operation.”

Cost of revenues was \$375,441 or 70.8% of revenues in the third quarter of 2016 compared to \$520,145 or 87.3% 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 decrease in cost of revenues of \$144,704 in 2016 is related to volume and product mix of the products our customers purchased along with the establishment of our Mobiquity devices.

Gross profit was \$155,132 for the third quarter of 2016 or 29.2% of net revenues compared to \$75,615 in the same fiscal period of the prior year or 12.7% 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 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 \$2,074,282 for the third quarter of 2016 compared to \$2,782,678 in the comparable period of the prior year, a decrease of approximately \$708,396. Reduction in such operating costs include payroll, and related expenses, non-cash stock based compensation costs and professional fees.

The net operating loss for the third quarter of 2016 was \$(1,919,150) as compared to \$(2,707,063) for the comparable period of the prior year. The decrease in operating loss is attributable to the reduction of non-cash stock based compensation, payroll and the related expenses along with reducing professional fees.

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, 2016 versus Nine Months Ended 2015

	Nine Months Ended September 30	
	2016	2015
Revenue	\$1,644,295	\$1,682,711
Cost of Revenues	\$1,237,631	\$1,388,168
Gross Profit	\$406,664	\$294,543
Selling, General and Administrative Expenses	\$6,945,037	\$8,345,178
(Loss) from Operations	\$(6,538,373)	\$(8,050,635)

We generated revenues of \$1,644,295 in the first nine months of 2016 compared to \$1,682,711 in the same period of the prior year. As our mall network has only recently been constructed and is being expanded, at the current time, revenues from the use of our Mobiquity devices are consisted of \$113,494 of our consolidated revenues. In future reporting periods, we anticipate our revenues increasing in our Mobiquity Networks subsidiary due to the implementation of our Mobi-Beacons and the data that can be derived therefrom and the expectation that advertisers will begin to utilize our mall network. See “Plan of Operation.”

Cost of revenues was \$1,237,631 or 75.3% of revenues in the first nine months of 2016 compared to \$1,388,168 or 82.5% 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 decrease in cost of revenues of \$150,537 in 2016 is related to volume and product mix of the products our customers purchased.

Gross profit was \$406,664 for the first nine months of 2016 or 24.7% of net revenues compared to \$294,543 in the same fiscal period of the prior year or 17.5% 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 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 \$6,945,037 for the first nine months of 2016 compared to \$8,345,178 in the comparable period of the prior year, a decrease of approximately \$1,400,141. Such operating cost reductions include payroll and related expenses, professional fees and non-cash stock based compensation.

The net operating loss for the first nine months of 2016 was \$(6,538,373) as compared to \$(8,050,635) for the comparable period of the prior year. The decrease in operating loss is attributable to the focused effort in creating and streamlining the infrastructure required to move forward with the mall network, to provide information technology support.

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**

The Company had cash and cash equivalents of \$224,974 at September 30, 2016. Cash used in operating activities for the nine months ended September 30, 2016 was \$4,792,828. This resulted primarily from a net loss of \$7,521,794 offset by stock based compensation of \$512,949, depreciation and amortization of \$112,392, decrease in accounts receivable of \$119,202 and a decrease in Inventory of \$25,430 and an initial derivative expense of \$565,780 and an amortization of debt discounts of \$1,878,002 and a change in derivatives of \$2,201,696, decrease in prepaid expenses and other assets of \$574,108 and an increase of accounts payable and accrued expenses of \$1,002,523. The Company had an increase in investing activities of \$257,575 with the purchase of equipment and expansion to the network platform in new and existing mall and other locations. Cash flow from financing activities of \$3,240,376 resulted from the proceeds from the issuance of the Company's preferred stock \$400,000 and use of the letter of credit and securing promissory notes totaling \$2,840,376.

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 a 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.



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, 2014, we have completed the various financing summarized below.

<b>Date</b>	<b>Dollar Amount</b>	<b># of Securities Sold</b>
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
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/October 2015	\$ 3,675,000	Issued promissory notes in the principal amount of \$3,675,000 and 3,675,000 shares of restricted common stock and warrants to purchase an additional 3,675,000 shares of restricted common stock
December 2015 – March 2016	\$ 2,400,000	Issued 240,000 shares of preferred stock convertible into 12,000,000 shares of common stock with anti-dilution protection for 2016
April – May 2016	\$ 1,025,000	Issued convertible promissory notes in the principal amount of \$1,025,000, convertible at \$.20 per share with 100% warrant coverage.

Third quarter 2016	\$ 700,000	Issued short term convertible promissory notes in the principal amount of \$700,000 and prepaid interest of 4,900,000 common shares.
Fourth quarter 2016	\$ 595,418	Exercise of outstanding warrants/options at \$.05 per share and issuance of approximately 11,908,335 shares of common stock.

(1) See "Loan Agreements and Related Party Transactions" below.

### **Loan Agreements and Related Party Transactions**

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 and October 2015, the Company raised an additional \$3,070,000 through the issuance of its unsecured debt on the same terms as set forth in the preceding paragraph. The Company issued 3,070,000 shares of Common Stock and warrants to purchase a like number of shares as prepaid interest. Of the \$3,070,000, Berg & Berg Enterprises invested an additional \$500,000. In December 2015, Berg & Berg Enterprises also purchase 200,000 shares of the Company's preferred stock convertible into 10,000,000 shares of common stock with anti-dilution protection for 2016.

In April through June 2016, the Company issued and sold 12% unsecured promissory notes in the principal amount of \$1,025,000, convertible at \$.20 per common share. Upon conversion, the note holders would receive 100% warrant coverage, exercisable at \$.20 per common share over a period of five years with cashless exercise provisions. These notes automatically convert in the event at least \$5 million is raised in an equity financing. Prior to the mandatory conversion date, note holders have the option to convert the principal and accrued interest also on the same terms as the mandatory conversion and the Company has the option to prepay.

The Company raised \$700,000 in the third quarter of 2016 from the sale of secured promissory notes in the principal amount of \$700,000 from six accredited investors. Each Note was scheduled to be repaid on October 31, 2016, but payment was not made. In lieu of interest on the Note, 4,900,000 restricted shares of common stock were issued to the Note Holders. At the option of the Note Holder, each Note shall be convertible at the lower of \$.20 per common share or into securities on the same terms of the next completed equity offering of at least \$10 million in gross proceeds. In the event the Note is converted into common stock, 100% warrant conversion shall be provided to the Note Holder for each share of common stock issued upon conversion. These warrants will have a term of three years and shall be exercisable at \$.20 per common share. Prior to this offering, Thomas Arnost, Executive Chairman, has a secured interest in the amount of \$322,000 in the assets of the Company and its subsidiaries. Mr. Arnost has agreed that the investors in this offering will have a pari passu first secured interest with Mr. Arnost in all assets of the Company and its subsidiaries.

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

In December 2013, Thomas Arnost, a director of Mobiquity, purchased from TCA Global Credit Master Fund, the Company's outstanding convertible promissory note in the amount of \$350,000. Subsequently Mr. Arnost and the Company agreed to fix the conversion price of the note at \$.30 per share, extend the due date of the Note to 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. In December 2015, Mr. Arnost extended the due date of the note to December 31, 2016 and the Company agreed to lower the conversion price to \$.20 per share. 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, 2016 through September 30, 2016, 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 2016	Preferred Stock	40,000 shares	\$400,000; no commissions paid	Section 4(2); Rule 506	Each Preferred Share is convertible into 50 shares of Common Stock and subject to anti-dilution protection for 2016
Jan. – June 2016	Common Stock	940,000 shares	Services rendered; no commissions paid	Section 4(2)	Not applicable
	Convertible		\$1,025,000; no	Section 4(2);	Convertible at

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

April – May 2016	Promissory Notes	\$1,025,000 in principal amount	commissions paid	Rule 506	\$.20 per share with 100% warrant coverage, also exercisable at \$.20 per share over a term of five years
		\$700,000 in principal amount, also			Convertible at the lower
Third Quarter 2016	Convertible Promissory Notes	issued 4,900,000 shares of common stock as pre-paid interest	\$700,000; no commissions paid	Section 4(2); Rule 506	of \$.20 per share or the next completed equity transaction of at least \$10,000,000; in the event of conversion, there is 100% warrant coverage with a term of three years exercisable at \$.20 per share

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

(c) In the three months ended June 30, 2016, 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)
3.10	Amendment to Certificate of Incorporation filed December 22, 2015(22)
3.11	Amendment to Certificate of Incorporation dated March 24, 2016 (21)
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)

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

- 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 (Incorporated by reference to Form 10-K for the year ended December 31, 2014)
- 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 Form 8-K dated March 24, 2016.

(22) Incorporated by reference to Form 10-K for the fiscal year ended December 31, 2015.

**SIGNATURES**

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

MOBIQUNITY TECHNOLOGIES,  
INC.

Date: December 9, 2016 By: /s/ Dean L. Julia  
Dean L. Julia,  
Co-Principal Executive Officer

Date: December 9, 2016 By: /s/ Michael D. Trepeta  
Michael D. Trepeta,  
Co-Principal Executive Officer

Date: December 9, 2016 By: /s/ Sean McDonnell  
Sean McDonnell,  
Principal Financial Officer